

Erbakan's Islamist meanderings backfire

Turkey's PM returns to censure motions and outrage, writes Kelly Couturier

Mr Necmettin Erbakan, Turkey's Islamic prime minister, returns home today after a disastrous visit to Libya intended to win him support among his constituents but which could cost him his job.

Mr Erbakan's visit at the weekend, part of a three-country African trip billed as a trade development mission, turned into a foreign and domestic policy fiasco when Colonel Muammer Gaddafi, the Libyan leader, criticised Turkey's policy toward Kurdish separatists and advocated a homeland for the Kurds.

Col Gaddafi's remarks on one of the most sensitive subjects in Turkey unleashed a wave of outrage. Opposition leaders called for Mr Erbakan's resignation and presented censure motions against his three-month-old government, the first Islamic-led administration in the country's 73-year history. The foreign ministry, meanwhile, recalled the Turkish ambassador in Tripoli for consultations.

The trip to Egypt, Libya, and Nigeria is the latest in a series of foreign policy initiatives that has the secular establishment increasingly worried that the 30-year veteran of Turkish politics is pursuing his long-time personal dream of building an Islamic bloc of nations at the expense of what the establishment would regard as a responsible foreign policy.

Since becoming prime minister, Mr Erbakan has flouted traditional diplomatic practice, having talks at his home with representatives of Syria, Iran, and Iraq as well as with other non-official foreign Islamist opposition figures.

Erbakan is meeting various leaders at night by himself without letting the foreign ministry know about it. That's a slack way of running the government, said Mr Firat Dayanikli, an MP from the opposition Republican People's party (CHP).

Mrs Ciller, who was made foreign minister in the coalition government, said on Monday: "Whether it is Libya, Syria, or Iran, they have not been with Turkey in its most important struggle, namely [fighting] the PKK and [preserving] its territorial integrity, but have acted against" Turkey.

Mr Erbakan's supporters, who have long listened to his fiery anti-western, nationalist rhetoric, are expecting the Islamist leader to reach out to Islamic nations, according to Hasan Cemal, a columnist for the conservative daily Sabah. But, he added, after Col Gaddafi "made a mockery" of the prime minister, the Welfare party, which won 21 per cent of the vote last December, would be hard pressed to win new support among the electorate.

Mr Erbakan leads a two-party coalition with former prime minister Mrs Tansu Ciller's conservative and secular True Path party.

With Turkey's 12-year war against guerrillas of the Kurdistan Worker's party (PKK) at the top of Ankara's domestic and foreign policy agenda, Turkey continues to have rocky relations with its neighbours to the south, Iran and Syria.

Ankara accuses both countries of providing assistance to the PKK, and the political and military establishment has frowned on Mr Erbakan's personal overtures to representatives of those countries.

Calling Col Gaddafi's remarks an "historic mistake", Mrs Ciller said Turkey "had once again seen who its friends are and who its enemies are".

The guest list for the Welfare party's congress beginning next Sunday, which is reported to include the controversial Sudanese parliamentary speaker and a wide array of other Islamist figures, could land Mr Erbakan in a new controversy.

The CHP said yesterday it had presented a censure motion against Mr Erbakan's government. That was followed by a similar motion by the Democratic Left party.

Insurance agents lose more ground

By Andrew Jack in Paris

France's network of independent insurance sales agents yesterday said a substantial restructuring of the profession was necessary after they lost further ground in competition with banks last year. Their proportion of non-life insurance sales fell by 2 percentage points to 40 per cent, while the share of life contracts fell to 11 per cent, according to the French federation of general insurance agents.

The decline was largely explained by the growth in importance of "bancaassurance" networks set up by most French banks, which are increasingly selling insurance through their branches, Mr Jean-Claude Lechanoine, president of the federation, said agents' commissions last year continued to grow, so now was the time for them to modernise in response to intensifying competition.

A particularly French institution, the general agents have the status of a liberal profession under legislation most recently updated just after the second world war. They work on behalf of the country's insurance groups, earning commissions on the sales of contracts. Earlier this year, they concluded negotiations with the FFSA, the French federation of insurance companies, which has made the legislation governing commercial relations with agents far more flexible.

The formal legal decree is set to be published in the next few days ahead of the general agents' annual conference in the middle of this month, and two French insurers - AXA and Groupe Axur - have already concluded new contracts with their networks.

Commissions earned by agents rose 2.9 per cent to FF14.1bn (\$2.7bn) in 1995, but that was less than the growth of premiums across the French insurance sector. The number of general agents also continued its fall, down to 17,247 last year from 22,500 a decade ago.

French press defends its tax breaks

By David Buchan in Paris

The Gaullist leader in France's National Assembly yesterday threatened legal action against journalists, accusing them of trying to intimidate deputies into maintaining a special tax break for the press.

In its draft 1997 budget, the government of Mr Alain Juppé last month announced plans to phase out many of the special tax exemptions which no fewer than 110 French professions have acquired over the years.

These include the right of journalists to deduct 30 per cent of their salary, up to a limit of FF50,000 (\$9,500), from their taxable income. In their struggle to prevent a 60-year-old tax break for their profession being sacrificed on the altar of Maastrichtian austerity, journalists' unions have called a national strike next Tuesday, the day the Assembly starts debating the 1997 budget.

In the regions some journalists have threatened to starve deputies of the oxygen of publicity unless they vote against the measure. One newspaper in the Auvergne has warned local politicians they will become "invisible men", denied space in its columns, unless they come to the aid of the country's fourth estate.

A number of deputies have already quailed at the prospect of public invisibility and have tabled amendments to preserve or merely modify the journalistic tax break.

But Mr Michel Péricard, floor leader of the RPR Gaullists and a former radio and TV journalist, yesterday complained this amounted to unconstitutional pressure on deputies, and warned of legal action if it continued.

Many other professions or guilds - ranging from airline pilots, nurses to the pipe-carvers of St Claude in the Jura mountains - also face the disappearance of similar tax breaks. But they lack the leverage that the press has over politicians.

The press tax exemption dates back to the 1830s, when journalists often had to buy their own writing materials and pay transport and entertainment costs. But such costs are now generally met by employers, the government argues, and therefore no longer justify a tax break.

Officials point out the exemption is to be phased out gradually by the year 2000, and journalists can still deduct "real" professional expenses, like anyone else.

But the National Federation of the French Press counters that lower-paid journalists will lose the equivalent of 1-2 months' pay, and that the disappearance of the deduction will automatically raise welfare charges for an industry in a serious financial state.

The French press already receives a FF2bn postal subsidy from the state, as well as other public aid, though in contrast to the UK press it has to shoulder value added tax.

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- Spare parts (supply) for the following aircraft: F-5E/F (Tiger II); Mirage III (F-103); C-130 (Hercules); B-707 (KC-137); De Havilland Buffalo (C-115); UH-1H (Bell 205); P-16 (Tracker S2A); Emb 110 Jandrelante (C-95).
- Spare parts for Ground Power Unit (GPU)
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Further information and complete details could be obtained at the same address from Monday to Friday, from 8AM to 11 AM and from 1PM to 3PM, local time, at the Comissão Especial de Licitação (Special Tender Commission), or via Internet at <http://www.ta.cta.br/pamasp>

NEWS: ASIA-PACIFIC

Thais drop stock market sales threat

By Ted Bardacka in Bangkok

Thai financial authorities said yesterday they had backed away from an idea to introduce measures designed to halt foreign selling on the country's battered stock market, which rebounded slightly yesterday after Monday's 6 per cent drop.



Bodi: still manageable

"We agreed that no new measures are needed," Mr. Bodhi Chunnanda, finance minister, said after a meeting of officials from the central bank, the Stock Exchange of Thailand and the finance ministry.

"We want to let stock prices move according to the market mechanism. The situation is still manageable," Mr. Bodhi said.

In spite of his assurances, traders said the authorities had asked local mutual funds and a broker-organised market support fund to intervene in the market yesterday. Buying by these two helped push the market up 1.24 per cent. The closing index of 856.34 is still the lowest since August 1993.

Other financial markets were stable as well, as investors were unsure of the direction of interest rates. The baht was stronger in spot trading at B25.433 to the US dollar, compared to B125.453 on Monday. Swap rates rose slightly.

13.25 per cent, showing there may be government pressure building on banks to shrink their margins in an effort to ease the difficulties caused by economic slowdown.

While economic growth is still projected to be around 7 per cent for the year, interest rates are the key to future profitability of the bank and finance sectors, which together account for nearly half of the Thai market's total capitalisation.

"I don't think we'll get a clear picture on interest rates until after the election and there is a new finance minister," said Mr. Paul Alapat, an economist with Lehman Brothers in Hong Kong.

"Until then the Bank of Thailand will cushion any tight liquidity situations," Prime Minister Banharn Silpa-archa has dissolved parliament and called an election for November 17, under pressure from a welter of scandals which had tarnished his fractious six-member coalition government.

Row flares after HK visa chief resigns

By John Ridding in Hong Kong

The Hong Kong government faces a potentially embarrassing inquiry into the resignation of a senior official whose sudden departure has provoked accusations of a lack of transparency.

Legislators said they planned to step up pressure on the government to disclose more information on the departure of Mr. Laurence Leung, who stepped down as director of immigration in July.

"This is clearly a question of public interest, despite the government's claim," said Mr. James To, a member of the Democratic party, the largest group in the legislature.

The planned committee in the Legislative Council would hold open sessions and would be able to call witnesses. However, government officials could invoke privilege or claim security issues were involved to avoid answering questions.

"But that would be stupid," said Ms. Loh. "That would contradict the argument that he retired for personal reasons."

Bhutto talks loudly but carries small stick

Mark Nicholson reports on the mounting pressures facing Pakistan's embattled government

Pakistani businessmen and foreign investors will greet with scepticism the news that Ms. Benazir Bhutto, the prime minister, reached an "understanding" in talks with the International Monetary Fund last week.

Pakistan's ailing economy

Prime minister Benazir Bhutto: trying to rebuild credibility



Ms. Bhutto said at the weekend that a package of stabilisation measures, entailing a "pretty harsh" mini-budget, would be put to the cabinet this week.

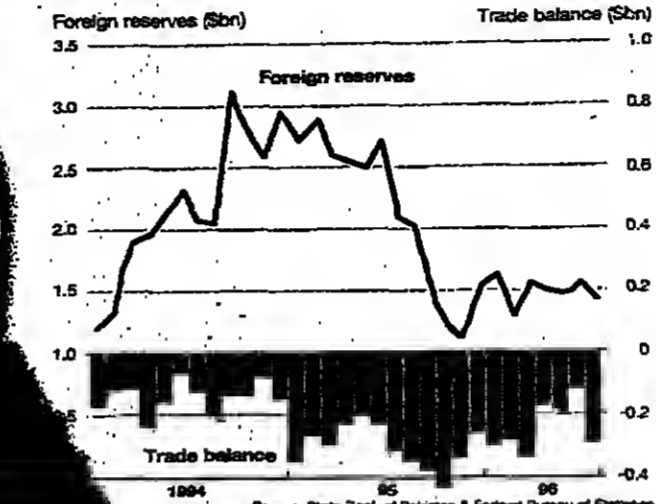
It would be aimed at satisfying the Fund sufficiently for it to resume the suspended disbursement of a \$600m standby loan.

But, as she said, receipt of the loan is less important than improved relations with the IMF.

Her government's political fragility will make it all the harder to push through any mini-budget "harsh" enough to redress the structural problems underlying Pakistan's economic ills.

Foreign investors argue that successive imposition, withdrawal, then reimposition of duties in sectors such as petroleum and power are eroding confidence and hurting investment.

The government's dilemma is that while it has little leeway to cut spending, as the IMF is insisting, it also has few economically or politically acceptable means



of raising revenues. The Fund wants Pakistan's fiscal gap cut to 4 per cent of gross domestic product from the present 5.5 per cent.

Options for spending cuts are severely constrained by the fact that nearly two-thirds of government spending for this fiscal year is earmarked for the politically untouchable defence sector and economically untouchable repayments on government debt - 26 and 38 per cent respectively.

Raising revenues is complicated by both the narrowness of Pakistan's current, and heavily plumbed, tax base (there are just 100,000 registered taxpayers in a country of 130m) and the political difficulties of broadening it.

Underlying this dilemma is a skewed bias within the ruling class towards landowners and fiscal favouritism towards agriculture - the country's economic foundation, accounting for 25 per cent of GDP and, directly or indirectly, 60-70 per cent of exports.

More than half Pakistan's parliament comprises agrarian landowners, or "feudals" in the Pakistani lexicon, who have stubbornly resisted broader and deeper taxation of agriculture.

Saigol, chairman of Kohinoor Textile Mills and head of the Lahore chamber of commerce. "But as soon as the question of taxing agriculture is raised, MPs from both parties will just walk out and veto it."

This urban-rural, agriculture-industry divide is fast becoming among the most fundamental and problematic political fissures in Pakistan, in the longer term, analysts believe it can only be redressed through a more representative parliament, which would in turn require a new census and fresh demarcation of political constituencies.

The last census was in 1981 and Pakistan's present political incumbents have strong interests in resisting another.

Though economic growth this year appears on target for perhaps 6 per cent, this depends heavily on expected good cotton crops. Official figures suggest manufacturing - much of it also cotton and textile related - is growing at 5 per cent a year, though industrialists dispute this. Mr. Saigol and others argue growth this year may be flat, or even negative.

result that Pakistan is suffering a persistent and worsening weakness on its trade account, placing severe strain on its foreign exchange reserves.

This alone makes relations with the IMF critical. With present reserves of around \$1bn, the country faces debt repayments of at least \$400m over the next few weeks.

Last year's deficit of \$3bn already looks like being exceeded, with the trade account \$500m in the red for the first two months of this fiscal year.

More over, Pakistan's external position is likely to come under even more intense pressure over the next few years as a result of the country's otherwise highly praised power privatisation policy.

Under this, the government has signed currency-hedged contracts with 19 private power groups to set up independent power production units.

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Blockade lifted on Suu Kyi's home

By Ted Bardacka in Bangkok

Burma's military regime yesterday removed barriers blocking access to the home of democracy activist Ms Aung San Suu Kyi.

The Nobel Peace Prize winner immediately said she would resume her weekly public speeches, which the junta says are illegal.

The blockades were set up two weeks ago to prevent Ms Suu Kyi's National League for Democracy (NLD) from holding a party congress. They also prevented Ms Suu Kyi's weekend addresses, which are attended by thousands of supporters and are the NLD's most effective communication tool.

"A few blockades do not constitute obstacles to foreign intervention. We shall have to meet as long as people desire to meet," Ms Suu Kyi said.

Malaysia tunes to satellite network

By James Kynga in Kuala Lumpur

Malaysian television viewers, long denied access to satellite broadcasts, have responded keenly to an invitation to subscribe to the country's first satellite television and radio network.

The new service comes ahead of the Malaysian government's plan to amend its broadcasting laws this month, ending a 1992 ban on private satellite dishes.

A new law will allow private 60cm dishes to receive signals only from the Malaysia East Asia Satellite (Measat), the country's first communications satellite launched early this year.

Executives of Measat Broadcast Network Systems, which carries 22 channels of foreign and local television under the brand name Astro, said yesterday the first batch of 7,000 digital satellite receivers had completely sold out.

ASIA-PACIFIC NEWS DIGEST

Machine orders down in Japan

Japan's private-sector machinery orders for August slipped 11.1 per cent month-on-month, reflecting weakness in the semiconductor market, following a 13.6 per cent jump a month earlier, according to the Economic Planning Agency.

Singapore insurance licences

Singapore plans to step up its supervision of the insurance industry by bringing in legislation in 1998 on licensing insurance and reinsurance brokers.

Chinese dissident detained

China has detained Mr Liu Xiaobo, a leading dissident, but has not commented publicly on his detention.

Sri Lanka defence spending

Sri Lanka yesterday presented draft budget estimates for 1997 showing a significant rise in defence spending because of the continuing cost of the war against the separatists.



Coface buys into German insurer

By Andrew Jack in Paris

The head of Coface, the French export insurer, yesterday hailed his group's acquisition of a majority stake in the German credit insurer AKV as a significant step in consolidating the sector.

Mr François David said the Coface purchase was important because Germany represented France's largest export market, and called it a significant reshuffle in the market for credit insurance.

For AKV, the acquisition was an important step, because Coface brought its own strengths in the export market to the German group.

Coface has bought a 50.1 per cent stake in AKV for a sum believed to be roughly equal to the company's annual turnover of FF1.4bn (\$270.7m). The insurer Rewe, from which it acquired control, retains 37.4 per cent; Munich Re continues to hold the remaining 12.5 per cent.

Mr David said the purchase of the shares would probably be equally funded from Coface's own resources and loans. Munich Re intended to remain a long-term investor, but it was possible Rewe would sell its residual stake, in which case Coface would consider buying it.

Coface's small existing representative office in Germany would be integrated into AKV. There were no plans to restructure AKV after the acquisition. The acquisition would not change Coface's international strategy. It was important to be among the small number of large players in the export credit market.

Assurances Générales de France, the French insurer privatised this summer, is among a number of other groups which have stressed the importance of export trade insurance to their strategy in coming years.

Envoy hits at Manila contracts

By Edward Luce in Manila

Foreign investors in the Philippines faced "worrying" problems with the country's legal system, with contracts often proving worthless even after they had been signed, Mr Adrian Thorpe, UK ambassador to the Philippines, said yesterday.

Mr Thorpe's comments, considered strong for a diplomat, follow a series of high-profile cases where losing

Philippine bidders have succeeded in freezing or annulling the contracts of winning foreign companies through the Philippine courts or political system.

The lack of certainty over contracts, most recently when President Fidel Ramos overturned Subic Bay freeport's decision to award its port privatisation to Hutchison Whampoa of Hong Kong after complaints from the losing Philippine bidder, has caused anxiety among foreign investors.

"They [foreign companies] noted that even after winning bidders sign contracts, the privatisation process is not exactly a settled matter," Mr Thorpe said.

"Foreign companies quite rightly see the Philippines as a good investment opportunity. But there is no doubt there have been a lot of high-publicised cases recently where contracts have not been enforced." The ambassador's comments, which included praise for the country's liberalisation process opening up lucrative opportunities for foreign investment in telecoms, power and infrastructure, follow President Ramos's decision earlier this year to revoke a \$130m contract with GEC-Marconi of the UK.

The Philippine government, which cancelled the contract after it had been signed, has not yet formally notified the British embassy.

The contract to supply the country with its first military and civilian radar system, was allegedly overpriced. British government soft loans for the contract remain available.

Other high-profile contracts to meet a similar fate include last year's \$30m privatisation of the historic Manila Hotel awarded to ITC Sheraton. The losing Philippine bidder, Prince Hotel, has held up the privatisation in the courts.

Deals signed for Bangkok transit system

By Charles Batchelor, Transport Correspondent

Two international engineering groups and a UK construction company have been awarded an \$800m (\$1.3bn) contract to build the first phase of a new road and rail system in Bangkok, the Thai capital.

Adtranz, a rail equipment manufacturer, and Balfour Beatty, part of the BICC group, yesterday signed railway supply and construction contracts in London following a signing in Germany by Siemens Transportation Systems.

The three companies will produce an important part of the Bangkok Elevated Road and Train System (BERTS), costing a total of \$80m. This will provide an integrated transport network including an upgrading of the state rail network, the construction of a new mass transit system and a new toll road.

BERTS is part of a programme intended to overcome chronic congestion in Bangkok which can lead to commuters rising before dawn to get to work. In the past, attempts to sign up foreign contractors for large construction projects have been hampered by planning delays and cancellations, sometimes after years of negotiation. Under the contract signed yesterday, Adtranz, which groups the rail interests of ABB, the Swiss-Swedish company, and Daimler-Benz of Germany, will supply 172 rail cars worth about \$200m. Balfour Beatty will install 280km of new track at a cost of \$125m.

Siemens, leader of the consortium, will supply the power depot and signalling equipment for the mass transit system and be responsible for fitting out stations for a total of \$475m.

The contracts have been placed by Hopewell Holdings, the Hong Kong company controlled by Mr Gordon Wu, a developer. Hopewell acquired a 38-year concession to provide rail services in 1990.

Protectionism no defence for Africa

Study says region pays heavy price for import barriers, writes Michael Holman

Protectionist policies imposed by African governments have been costing sub-Saharan Africa as much as \$1bn a year, equivalent to the total aid to the region from developed countries in 1991, according to a World Bank research paper.

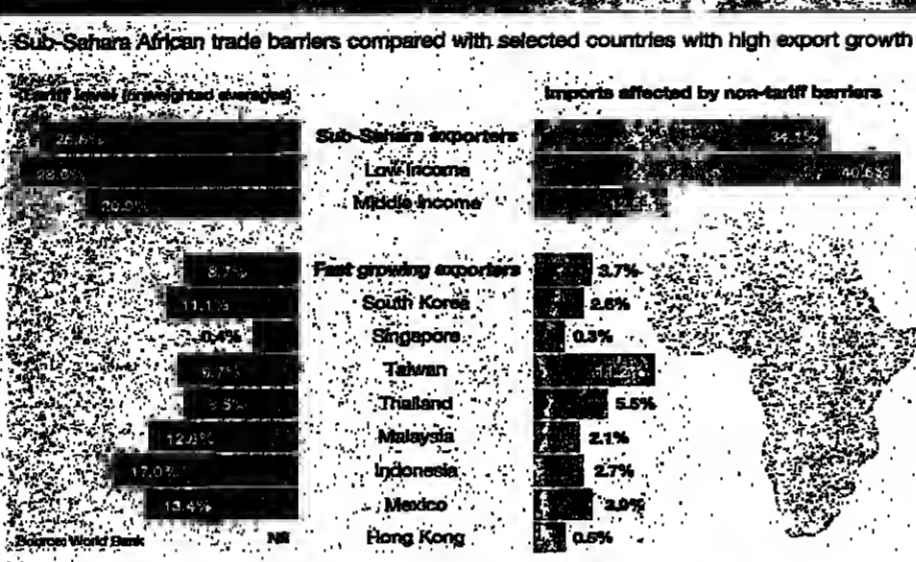
The study argues that the decline in sub-Saharan Africa's share of global exports from 3.1 per cent in 1965 to 1.2 per cent in 1990 was the result of "inappropriate domestic policies that reduced the region's ability to compete internationally".

Import barriers in Africa are far higher, according to the report, than in other developing countries and regions with faster export growth. These barriers hamper exports and economic development by adding to the cost of essential imports, such as agricultural inputs and machinery.

The paper comes ahead of December's ministerial meeting of the World Trade Organisation at which many poor countries are expected to complain that they have gained little from trade liberalisation agreed in the Uruguay Round of negotiations.

Africa's market share for its 30 main exports declined from 20.8 per cent to 9.7 per cent between 1962-64 and 1991-93, "which implies annual trade losses for the region of just under \$1bn". Official development assistance to sub-Saharan Africa from members of the Organisation for Economic Co-operation and Development in 1991 totalled \$10.9bn.

Sub-Saharan African trade barriers compared with selected countries with high export growth



Not only has Africa experienced a declining market share for its main exports, says the report, they are of declining relative importance in world trade. The region is now highly dependent on relatively few export products.

The authors reject claims that protectionism in rich countries has been responsible. "Rather, the tariff treatment which was provided enhanced Africa's position vis-a-vis other exporters."

According to the report, "the share of African exports subject to non-tariff barriers is far lower than that of other developing countries which launched successful industrialisation drives".

In addition, tariff preference extended under the European Union's Lomé Convention or under OECD members' Generalised System of Preferences, provide Africa with more favourable terms of market access than for many other exporters of similar products.

Trade barriers in Africa "are far more restrictive" than in any other developing country groups, according to the Bank study. "Sub-Saharan Africa's tariffs average 26.8 per cent, which is more than three times higher than those of the fast growing exporters, and are more than four times the OECD average (6.1 per cent)."

The report adds that OECD countries reduced their tariffs by almost 40 per cent in the recent Uruguay Round (to about 3.9 per cent), and many of the fast growing exporters also made important concessions on trade barriers. "In contrast, Africa's trade barriers were virtually unchanged by the Round. As a result, the current spread between Africa's

tariffs (as well as tariffs plus other import charges combined) and those in the other countries has widened."

The divergence in the use of non-tariff protection is even sharper, says the study. "Over one third of all African imports encounter some form of these restrictions (over 40 per cent in the case of low-income African countries) which is almost nine times higher than the corresponding average (3.9 per cent) for the fast-growing exporters and 13 times greater than the high-income non-OECD countries" (authors' italics).

The paper gives as one example the tariffs on agricultural raw material. African duties average 23.6 per cent, more than three times the level in the fast-growing countries. Duties for crude fertiliser are nearly four times higher.

"If Africa is to reverse its unfavourable export trends," the authors conclude, "the region must adopt appropriate trade and structural adjustment policies in order to enhance its international competitiveness, and to permit African exporters to capitalise on opportunities in foreign markets."

In a letter to Mr Dan Glickman, US agriculture secretary, Mr Ohara denied his country was discriminating against US apples by asking for test data on the four varieties the US was seeking to export to Japan - Gala, Fuji, Braeburn and Granny Smith. The Japanese minister proposed a meeting between the two sides in an effort to resolve the dispute.

Tokyo defends tests on apples

By Anne Counsell in Washington

Mr Ichizo Ohara, Japan's minister of agriculture, forestry and fisheries, yesterday defended the country's testing procedures for apple imports, and insisted Japan was abiding by World Trade Organisation rules.

In a letter to Mr Dan Glickman, US agriculture secretary, Mr Ohara denied his country was discriminating against US apples by asking for test data on the four varieties the US was seeking to export to Japan - Gala, Fuji, Braeburn and Granny Smith. The Japanese minister proposed a meeting between the two sides in an effort to resolve the dispute.

The US last week complained that Japan was blocking entry for the apples by demanding new tests on chemical treatments, although previous shipments of other varieties had been acceptable. It hinted that it might take up the case at the WTO if it did not receive a satisfactory response from the Japanese side by this week.

Mr Ohara said it was only natural that tests be conducted on apples to make clear the relationship between size and the effect of pesticides.

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NEWS: INTERNATIONAL

Judy Dempsey on calls by Israeli industry for faster economic reform

Netanyahu pressed by business

If Mr Netanyahu, Israel's prime minister, yesterday thought he could leave the political turmoil behind him for a few hours and find refuge with the business community and the Bank of Israel, he was mistaken.

The last thing Israel's captains of industry want is political instability. Since the peace process began three years ago, they have seen foreign investment rise six-fold to more than \$2bn last year. They have seen new markets open in south-east Asia and Europe where Israel's electronics and telecommunications industry is trying to get a foothold.

Israel's economy: a worrying outlook

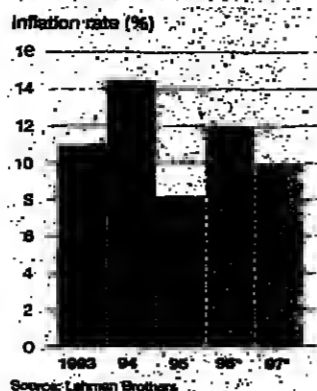


Table with 5 columns (1993, 1994, 1995, 1996, 1997) and 10 rows of economic indicators including Inflation rate, Real GDP growth, Fiscal balance, etc.

Mr Yasser Arafat, president of the Palestinian Authority, yesterday vowed to settle disputes through negotiation and not violence, as the US continued to put pressure on both sides to agree on the long-delayed troop withdrawal from Jerusalem.

Mr Dan Meridor, Israel's finance minister, is due to present his 1997 budget to the Knesset later this month in which he is aiming to introduce cuts of \$1.45bn (\$1.5bn). The government's excessive spending, inherited from the former Labour government, has meant the legally permitted deficit limit for 1996 of 2.5 per cent of GDP is likely to be exceeded.

in the economy required "all the forces in the economy" to work together, implying the Bank of Israel was too independent.

INTERNATIONAL NEWS DIGEST

Rabbani meets Uzbek warlord

Afghanistan's ousted president, Mr Burhanuddin Rabbani, met General Abdul Rashid Dostum, the Uzbek warlord, yesterday to explore forming a common front against the Taliban forces who drove him out of Kabul.

Taliban fighters said Mr Masood's forces, who withdrew into territory controlled by Gen Dostum as the Taliban pushed north from Kabul, attacked through the Salang Pass and over the mountains. They said Gen Dostum's men were not involved in the fighting, in which the two sides exchanged artillery, mortar and small arms fire throughout the day.

Nine die in Algeria bus attack

Moslem guerrillas attacked a bus on Monday night killing nine people in the southern Algerian town of Ksar el Hirane, the Algerian security forces announced yesterday.

Jump in Harare Aids deaths

The weekly average number of people dying from Aids in Zimbabwe has jumped recently from 300 to about 500, the country's National Aids Co-ordination Programme estimates, press reports said yesterday.

Big banks group denies currency market plot

A consortium of large international banks which are developing a new foreign exchange clearing house moved yesterday to dampen fears that they were seeking to extend their domination of the \$1,200bn a day currency market.

Swift interbank communications network in Florence yesterday that he co-ordinated, committed to creating an open system which any institution could join if it met objective membership criteria.

that they only have to pay the net balance of payments. For example, a bank may have agreed to sell billions of yen to another but could have to wait for as long as four days before it receives the dollars to pay for them.

both sides of a foreign exchange trade are completed by simultaneously crediting and debiting the two banks' accounts, in a process they call "continuous linked settlement".

across currencies, so one currency can be used to cover payments in a second, said Mr Rob Close, payments strategy director at Barclays Bank and G20 program director.

of the country's state-run telephone company were postponed last week until March 91 at the request of interested companies.

of the country's state-run telephone company were postponed last week until March 91 at the request of interested companies.

Organised labour portrayed as force behind Clinton campaign

Republicans in attack on union funds

Republican leaders across the US yesterday launched a new assault on organised labour as the driving force behind President Bill Clinton's re-election campaign.

also used Sunday night's televised debate with Mr Clinton once again to accuse a particular union, representing school teachers, of responsibility for national educational under-performance.

Bucaram paves the way for re-election

Only two months into his four-year term, Ecuador's populist President Abdalá Bucaram is proposing measures which would allow his re-election in the year 2000.

Mr Bucaram, who announced on Monday that he would be seeking a constitutional reform package to Congress soon, pledged he would not run again. However, commentators are sceptical, pointing to the personality cult which has been developing around the president.

Softer Sandinistas on comeback trail

As campaigning in the first round of Nicaragua's presidential and congressional elections enters its final stages, opinion polls suggest a late surge of support for the one-time revolutionaries of the Sandinista National Liberation Front and Mr Daniel Ortega, their former president.

When the Sandinistas mention Mr Alemán they routinely allude to the Somoza family dictatorship, which ruled from 1936 to 1979. "Alemán's closest advisers are Somocistas," said Mr Álvaro Fiallos, Sandinista campaign manager.

Ortega's running mate in an attempt to overturn their image as opponents of the private sector. "State regulation of the economy was justified in times of war, but in peacetime things are different and a return of socialist tendencies is not even contemplated," said Mr Fiallos.



Daniel Ortega: snapping at heels of Alemán

Despite the campaign's emphasis on politics, economic hardship is never far below the surface. Some 60 per cent of the population of working age is estimated to be either unemployed or underemployed and the country has one of the highest per capita foreign debt burdens in the world.

Mr Newt Gingrich, Speaker of the House, took up the anti-union cudgel in a speech in his suburban Atlanta congressional district, charging that organised labour would spend \$50m, maybe \$100m, trying to buy the House.

Mr Clinton, by contrast, has been able to cite a job-creating economy in efforts to ensure the "Reagan Democrats" do not stray again. In his campaign appearances he frequently invokes US commercial successes, most often the car industry, as examples of the revived productivity of US workers.

Mr Bucaram has so far proved adept at negotiating with the 85-member Congress, where his Roldosista party has only 19 seats. But if Congress does not approve the constitutional reforms the president could make the most of his continuing popularity by opting for a referendum to push the changes through.

Early GM deal with UAW in doubt

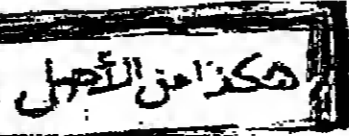
An early conclusion to negotiations between General Motors and the United Auto Workers union in the US looked in doubt yesterday as a strike in Canada came close to bringing the company's operations north of the border to a standstill.

The strike north of the border is expected to extend to all 26,000 Canadian workers by tonight. The shortage of some parts made in Canada has also started to affect GM's US operations, and would seriously interrupt production if the strike continued into next week.

direction out of Canada," said Mr David Cole, director of the University of Michigan's automotive industry centre.

WAW has secured a guarantee from Ford and Chrysler that at least 95 per cent of union jobs will be maintained over the next three years, and is believed to be urging GM to accept a similar agreement.

The outbreak of a strike in Canada contrasts sharply with the low-key approach which has been used to great effect by the UAW for this year. Mr Stephen Yokich, the recently appointed head of the UAW, has secured agreements with Ford and Chrysler without resorting to the threat of a strike - contrary to the traditional negotiating tactics in the industry.



International phone charges set to fall

By Alan Cane in London

The cost of international telephone calls from the UK is set to fall sharply as government measures to promote competition take effect. British Telecommunications and Mercury Communications, which derive a large part of their business from international services, will see their profits squeezed and will lose market share to new operators.

In the longer term, the Accounting Rate System, through which international telecoms operators are paid for carrying each other's calls and which has maintained prices at an artificially high level, will become redundant. The US alone pays out \$4.3bn more than it receives through the Accounting Rate System. Energis, the third largest

UK operator, yesterday announced a 10p (16c) a minute call rate to the US for business customers spending more than £150 (\$235) a month. The price is a record low for a national operator and undercuts BT's base rate by some 50 per cent.

The new Energis prices are possible because of two UK government moves to increase competition. The first was liberalisation

of the "international simple resale", or ISR, market. Before, a company like Energis handed calls to BT or Mercury for delivery in the US. It had no control over prices the UK operator agreed with US counterparts. Now it passes calls to one of a number of international simple resellers which compete on price to deliver the call to the US. Energis chiefly uses Sprint of the US,

Canada's Teleglobe, Sweden's Telfia or Telstra of Australia. Energis, therefore, can charge a low price though carrying the call only a short distance on its own network.

According to Mr Tim Parsonson, general manager of Long Distance International, a US-based ISR operating in the UK, the ISR sector is the fastest growing part of the UK telecoms business.

The second move was the UK government's decision this year to end BT and Mercury's duopoly on ownership of international lines. It is now legal for operators holding a full international licence in the UK to forward calls over their own infrastructure. Licence winners are expected to be announced next month.

Share scheme tax benefits are scrapped

By Jim Kelly and Christopher Price

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday scrapped tax benefits linked to so-called share buy-back and special dividend schemes. His move caused Reuters, the media and information group, to postpone an innovative £600m (\$935m) payback deal to shareholders.

Mr Clarke said tax-exempt shareholders such as pension funds were receiving most of the benefits of such schemes. As a result of their popularity the exchequer would lose £30m in 1996-97, rising to £400m a year by 1998-99, he said.

But there was widespread suspicion that the Inland Revenue had timed the move to stop Reuters today seeking shareholder approval for its scheme. The announcement is also likely to affect the offer, announced yesterday by SHV Energy, the Netherlands company which owns 52 per cent of Calor Group, for the rest of the group. The offer included a special dividend of 40 pence a share.

"The move was brought forward because we know of several deals in the pipeline between now and the Budget," said a government official. "This doesn't mean we won't come back for more if we have to."

The schemes have become widely used in recent years, particularly in the banking and utilities sectors. Tax exempt shareholders get 25 per cent more cash than other shareholders through payable tax credits.

The UK stockmarket reacted briefly but violently to the news. The FTSE 100 dropped below the 4,000 mark on the news, hitting a session low of 3,995.3, down more than 36 points, before recovering to end the day up 4.1 points at 4,035.6.

Reuters said it "regretted" the chancellor's decision.

Ex-minister spurns premier's call for unity on EU

By John Kampner and James Blitz in Bournemouth

Fighting about the European Union erupted yesterday on the first day of the annual conference of the governing Conservative party. A former minister warned that

against European monetary union, defied prime minister John Major's call at the weekend to the party to unite behind his "wait-and-see" approach.

At the other end of the spectrum, Sir Leon Brittan, vice-president of the European Commission, launched his strongest attack yet on Conservative anti-Europeans, accusing them of "panic and defeatism" and of inventing "myths" about the EU. Sir Leon launched veiled attacks on two cabinet ministers - Mr Peter Lilley, social security secretary, and Mr Michael Forsyth, Scottish secretary.

The cabinet's two most prominent Eurosceptics, Mr

Michael Howard, home secretary, yesterday outlined a list of measures to strengthen law and order, James Blitz writes. They included the removal of driving licences from convicted criminals and a law allowing alcoholic drinks to be taken from drunken young people in streets. He

also proposed tough penalties of up to five years in prison for "stalkers". However, the loudest cheers in the hall were reserved for a series of highly Euro-phobic passages in which Mr Howard reaffirmed his determination not to give up UK sovereignty to Brussels.

with Mr Major's office, Mr Howard studiously avoided direct criticism of policy on monetary union.

Mr Portillo, stung by criticism of what was seen as an excessively nationalistic speech to the party conference last year, said Britain's interests lay beyond "a European fortress economy".

The waiter of appearances on the conference fringes yesterday served as a prelude to today's debate on Europe in the main conference, with organisers desperately to ensure that Eurosceptics keep themselves in check in the main hall.

Mr Heathcoat-Amory added: "We can start with a decision still to be taken. Let us rule out now British participation in a single European currency."

Sir Leon, a former Conservative minister, accused Eurosceptics of disguising their real aim - quitting the EU - behind opposition to the single currency.

CONSERVATIVE PARTY CONFERENCE

Eurosceptics in the party would use their campaign against monetary union as a first stage in a broader battle against Brussels. Mr David Heathcoat-Amory, who resigned from the government in July to speak out

the cabinet's two most prominent Eurosceptics, Mr Michael Howard, home secretary, yesterday outlined a list of measures to strengthen law and order, James Blitz writes. They included the removal of driving licences from convicted criminals and a law allowing alcoholic drinks to be taken from drunken young people in streets. He

Hauliers rush to beat deadline

By John Griffiths in London

A rush to buy trucks before new European Union emission and noise rules for diesel engines took effect this month left registrations in Britain 121 per cent higher last month than in September 1995. The rules will push up manufacturing costs.

Discounting the distortion caused by the emissions deadline, the truck market remains relatively weak at about 5 per cent below last year's levels, according to Mr Tony Fain, marketing manager of Leyland Daf. "The truck market ordinarily follows the real economy and there are signs of it starting to pick up because consumer spending is picking up," he said. "But it's all a bit wobbly and because of the emissions blip, the effects won't really be seen until next year."

Daf expect the truck market to rise by between 6 per cent and 10 per cent next year from this year's projected 50,000 vehicles.

Truck operators had the opportunity to save between £1,500 (\$2,340) and £2,000 (\$3,120) per vehicle by buying and registering trucks not complying with the Euro II emissions legislation introduced on October 1.

Both truckmakers and dealers were caught by surprise at the extent of the upsurge. Truckmakers and dealers' own anxieties to "move the metal" to beat the deadline were heightened by the UK government and European Commission showing no sign until less than a fortnight ago of being prepared to offer the industry a derogation allowing a certain proportion of non-Euro II trucks to continue to be sold after October 1. It has now been given.

Company	1995	1996	% Change
Rolls-Royce	100.0	100.0	0.0
Bentley	100.0	100.0	0.0
Vickers	100.0	100.0	0.0
Rolls-Royce/Bentley	100.0	100.0	0.0
Rolls-Royce/Vickers	100.0	100.0	0.0
Bentley/Vickers	100.0	100.0	0.0
Rolls-Royce/Bentley/Vickers	100.0	100.0	0.0
Other	100.0	100.0	0.0

Car sales boost for Japan and Korea

Company	1995	1996	% Change
Rolls-Royce	100.0	100.0	0.0
Bentley	100.0	100.0	0.0
Vickers	100.0	100.0	0.0
Rolls-Royce/Bentley	100.0	100.0	0.0
Rolls-Royce/Vickers	100.0	100.0	0.0
Bentley/Vickers	100.0	100.0	0.0
Rolls-Royce/Bentley/Vickers	100.0	100.0	0.0
Other	100.0	100.0	0.0

Worldwide sales of Rolls-Royce and Bentley cars jumped by 18 per cent in the first nine months of this year, though sales in mainland Europe fell by 12 per cent, writes John Griffiths. The Americas were 18 per cent higher while the Japanese market showed only a 2 per cent increase. The largest rise was in the UK where sales rose by 34 per cent. The Rolls-Royce car company, an offshoot of the Vickers industrial conglomerate, is no longer connected to the Rolls-Royce aeroengine company.

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Hyundai to build \$3.7bn plants

By James Buxton in Edinburgh and John Kampfer in Bournemouth

The South Korean company Hyundai Electronics announced yesterday that it is to build two semiconductor plants on a site at Dunfermline in Scotland. The total investment will be £2.4bn (\$3.7bn) and the two plants will between them create 2,000 jobs, making it one of the largest inward investments in Europe.

Mr Michael Forsyth, Scottish secretary, who announced the investment at the Conservative party conference in Bournemouth, said it was

a flagship project in terms of the technologies used and in the scale of the investment in Scotland.

The project will be in two phases with work on the first £1bn plant beginning next March to be operational by the end of 1998. The plant will employ 1,000 people, with a production capacity of 30,000 eight-inch silicon wafers per month.

It will initially make 64MB chips moving later to 256MB chips. Its output will be directed to the European market. No firm date was given for the second phase which will involve an investment of £1.4bn.

Mr H.K. Yoo, managing director of Hyundai Electronics, said the company aimed to become the world's second largest memory chip producer by the end of the century.

The inward investment was won by Scotland against competition from other European countries including the Republic of Ireland, as well as from other regions of the UK.

Mr Forsyth used the announcement to warn Conservatives at their conference that Labour's plans for devolution to Scotland and Wales, a minimum wage and to join the Euro-

pean Union's social chapter would "provoke a jobs holocaust". Scotland, he said, was at the cutting edge of Mr John Major's drive to make Britain the enterprise centre of Europe. "It is part of a pattern - companies flocking to Britain," he said.

In their speeches to the conference, Mr Forsyth and Mr William Hague, the Welsh secretary, linked emotional calls for the preservation of the United Kingdom and resistance to Brussels with warnings that Labour would make British industry less competitive.

IRA says it bombed N Ireland army base

By John Murray Brown in Dublin

The Irish Republican Army last night admitted responsibility for planting two bombs at the British army's headquarters in Northern Ireland on Monday.

The admission came in a telephone call to RTE, the state broadcasting organisation in the Republic of Ireland. Sinn Féin, the political wing of the IRA, warned earlier in the day of further attacks if the "political vacuum" was not filled by meaningful talks. Pro-British "loyalist" paramilitary groups in the region met last night to consider their response to Monday's bombings.

The IRA statement came some hours after a call to RTE claiming responsibility for the attacks from an organisation calling itself the Continuity Army. Security officials were casting doubt on the claims before the IRA made its call. The Continuity Army, which is understood to have links with ex-IRA members, claimed responsibility for the bombing of a hotel in the Northern Ireland town of Ennistymon in July and the 120kg Belfast car bomb defused by British army experts two weeks ago.

Sir Patrick Mayhew, chief Northern Ireland minister in the British government, told loyalists not to be provoked to abandon their ceasefire and dragged into the "baited trap" set by republicans. Speaking after returning early from an investment conference in Pittsburgh, Pennsylvania, to drum up business for Northern Ireland, Sir Patrick warned that any resumption of loyalist terrorism "would be a catastrophe for you and a catastrophe for everybody in Northern Ireland."

The Combined Loyalist Military Command, which groups the outlawed Ulster Defence Association and the Ulster Volunteer Force, is understood to have met at a secret location to decide whether to abandon their two-year ceasefire.

Much of Dublin, capital of the Republic of Ireland, was yesterday brought to a standstill by a number of hoax bomb warnings.

UK NEWS DIGEST

Main line may get tilting trains

Passengers on the UK's main west coast rail line between London and Scotland will travel in high-speed tilting trains by 2002 if proposals for a £2bn (\$3.1bn) modernisation programme announced yesterday are carried out.

Mr Roger Salmon, franchising director, yesterday invited private sector companies to bid for a 15-year franchise to run trains along the route. Bidders will be expected to make offers including the option of both tilting and conventional trains.

The main manufacturers of tilting trains - Fiat Ferroviaria of Italy, Adtranz, the Swiss-Swedish-German group, and Bombardier of Canada - are expected to pitch to supply their vehicles. Under an agreement with Mr Salmon's office, Railtrack will spend £1.35bn on modernising signalling, introducing improved safety and re-laying sections of track. If tilting trains are introduced, Railtrack will spend a further £150m on boosting the power supply and modifying tunnels and platforms. Railtrack is the former state company which owns the track of the national network.

Charles Batchelor

SATELLITE BROADCASTING

Network rate card under scrutiny

Cable companies have begun a detailed examination of a new rate card produced by British Sky Broadcasting which will govern the future wholesale prices of satellite channels.

BSkyB is the satellite network in which Mr Rupert Murdoch's media empire holds the biggest stake.

Production of a new rate card was part of a series of undertakings given by BSkyB to the Office of Fair Trading which helped it to avoid a possible reference to the Monopoly and Mergers Commission.

In July, Mr John Bridgeman, director-general of Fair Trading, decided after a six-month investigation that BSkyB's behaviour was not anti-competitive. He was concerned, however, that the satellite venture's powerful position was making it difficult for cable operators to compete. Cable operators complain that they have to buy complete packages of programmes from BSkyB and pay 60 per cent of the retail price charged to viewers before negotiating fees for non-BSkyB channels. "This issue is absolutely fundamental to the business of the cable companies," Mr Bob Frost, chief executive of the Cable Communications Association said.

Raymond Snoddy

LLOYD'S OF LONDON

Arizona joins settlement accord

Lloyd's of London said the US state of Arizona had joined the accord between Lloyd's and the Co-ordinating Committee of the North American Securities Administrators' Association. Arizona's decision means all 2,900 US investors in Lloyd's are covered by the accord.

If US investors, or Names, accept the £3.2bn (\$5bn) Lloyd's settlement they will be eligible to extra relief under the pact. "This agreement marks the end of our differences with US securities regulators," said Mr Peter Lane, Lloyd's managing director for North America. Names are the individuals whose assets have traditionally supported the insurance market.

Jim Kelly

INSURANCE

Award for FT journalist

Ralph Atkins, the FT's insurance correspondent until last month, was named Best Insurance Journalist Writing for a National Newspaper at the 1996 Financial Services Media Awards on Monday night. The awards are organised by the Association of British Insurers.

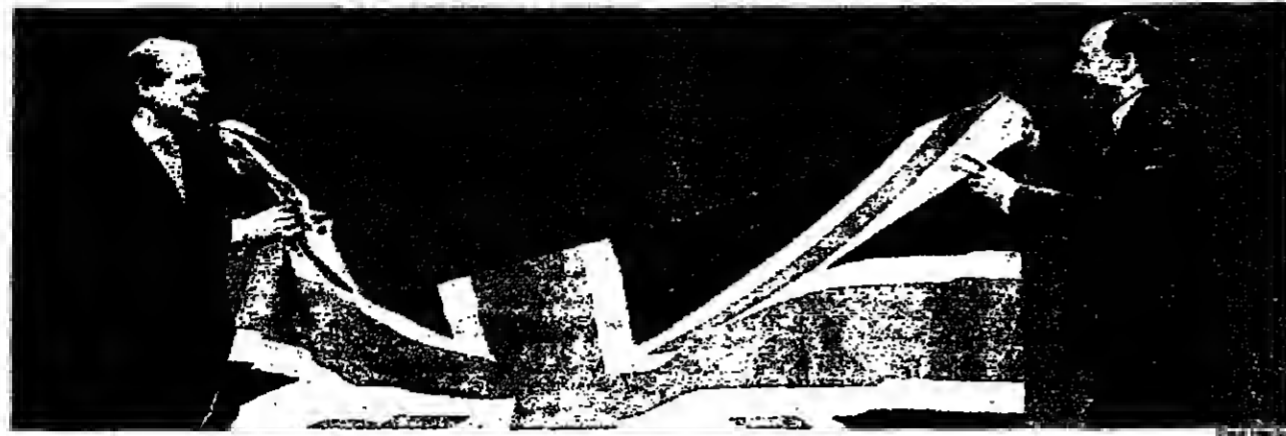
Korean rivals fight for position

By John Burton in Seoul

The decision to build a semiconductor complex in Scotland represents the biggest overseas investment by Hyundai Electronics, one of South Korea's fastest growing companies since its establishment in 1983.

Although Hyundai profits have grown steadily on the back of a 30 per cent annual rise in sales, the Scottish venture comes as Hyundai suffers its first setback in its breakneck expansion. Analysts predict that Hyundai will barely break even or possibly suffer a loss this year because of a sharp fall in prices for its mainstay 16-megabit dynamic random access memory (D-ram) chip, which is the result of global overcapacity and a slowdown in demand.

This compares with a 1995 net profit of won835bn (\$1bn) on sales of won3,902bn with Hyundai Electronics having



William Hague, chief minister for Wales (left), and Michael Forsyth, his counterpart in Scotland, unfurl the UK flag at the Conservative party conference yesterday to emphasise their opposition to separate regional parliaments in Great Britain

the biggest earnings among the 50-odd subsidiaries in the Hyundai group, Korea's second biggest conglomerate. The profit collapse this year comes at a particularly bad time since Hyundai Electronics is preparing a won200bn initial public offering on the Seoul bourse next month.

Nonetheless, the poor earnings performance has not prevented Hyundai from investing in Scotland. The move reflects the intense competition between Hyundai and its main Korean chip rivals, Samsung Electronics and LG Semicon, as they race to establish plants in three big overseas markets:

Europe, North America and south-east Asia/China.

Until now, Hyundai has concentrated on North America. It is building a \$1.3bn chip plant in Eugene, Oregon, which will be operational in 1997. In 1994, it also acquired the microprocessor unit of AT&T for \$340m and Maxtor, a California-based producer of computer disk drives, for \$880m.

Hyundai's entry into the European market was largely prompted by LG Semicon's decision in July to build a \$2.6bn semiconductor and consumer electronics complex in Wales. This threatened to leave

Hyundai as the only Korean chipmaker without an European production base since Samsung Electronics also has a joint venture chip assembly plant with Texas Instruments in Portugal.

The fierce rivalry among the Korean electronics companies contributed to Hyundai's decision to choose Scotland. Its competitors had already positioned themselves in the UK - LG in Wales, Samsung in northern England and Daewoo in Northern Ireland.

Hyundai is gambling that global prices will recover when the complex in Scotland goes into operation in

1999. According to Mr Han H-Suk, an electronics analyst with ING Barings Securities in Seoul, "Hyundai may have grown more confident with recent signs of a recovery in chip prices." One cause for optimism is that Hyundai will produce next-generation 64-megabit and 256-megabit D-rams in Scotland. Future global demand for these chips is expected to be great.

Moreover, the financial resources of the Hyundai group, which is expected to achieve sales of \$94bn this year, will be able to sustain Hyundai Electronics even if chip prices remain weak.

Electronics companies flock to Scotland

By James Buxton in Edinburgh

Hyundai's decision to select Dunfermline in Scotland as the site of two European semiconductor plants is a further success for the UK in winning inward investment projects from the "tiger" economies of east Asia.

With big plants operated by International Business Machines and Compaq, Scot-

land claims to produce about 35 per cent of all branded personal computers made in Europe.

Scotland also has electronics plants belonging to big US manufacturers such as Sun Microsystems, Digital and NCR, and the Japanese companies JVC and Mitsubishi.

The sector employs about 55,000 people and is easily the fastest-growing part of

Scottish manufacturing. Last year the electronics industry received an important boost when Taiwanese company Chung Hwa chose Scotland for a large plant making cathode ray tubes for televisions and computers.

Already, two other Taiwanese companies have decided to join Chung Hwa. Lite-On Technology announced in July that it would build a plant making

monitors and promised 1,000 jobs. Soon afterwards, Allied Precision said it would set up a plant employing 200 people to supply Chung Hwa with metal components.

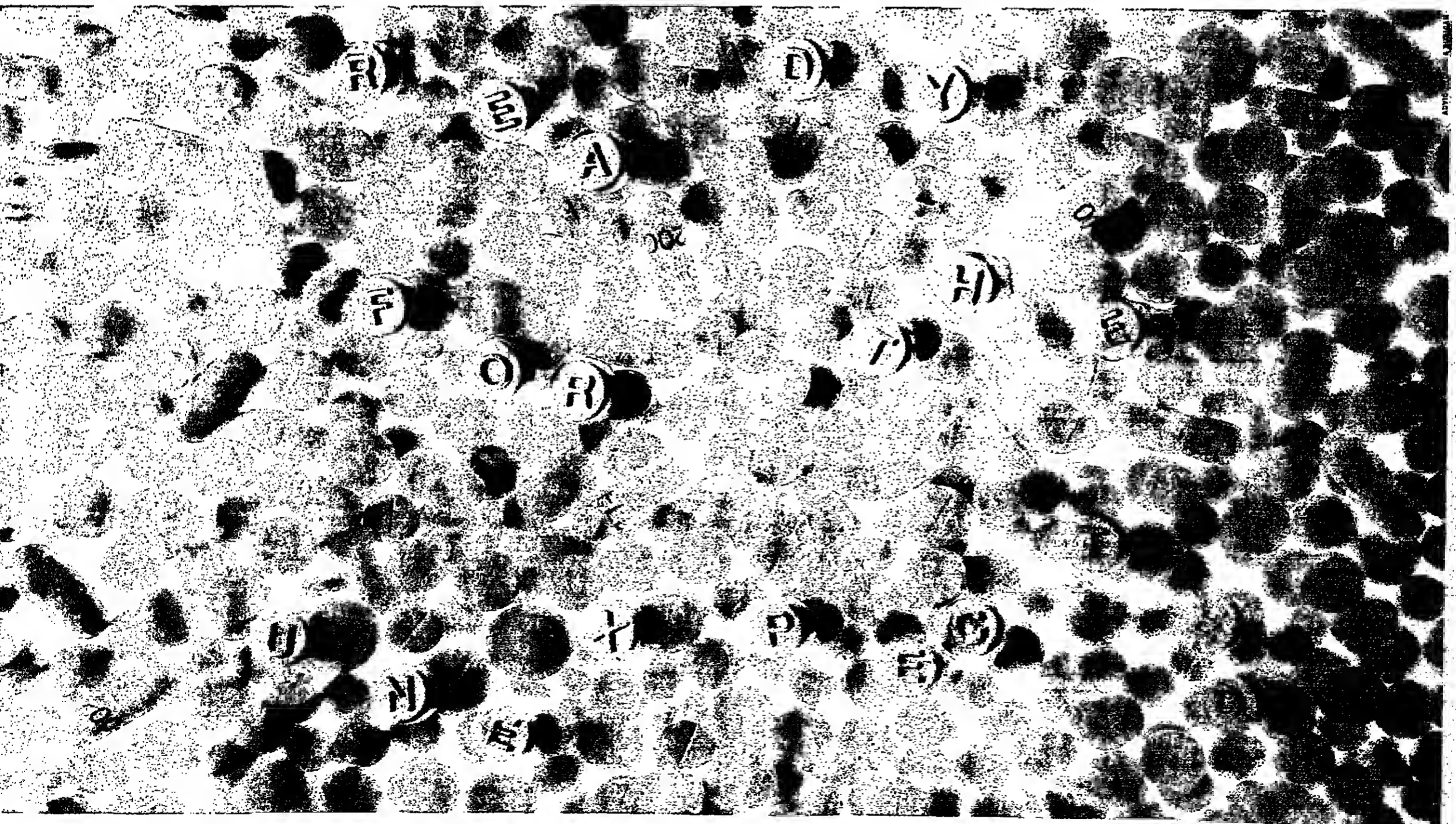
But the situation is likely to arouse concerns that Scotland is becoming too dependent on one sector.

In 1995-96, out of the £361m (\$1.53bn) committed to inward investment in Scotland, three quarters was in

electronics. In 1994 electronics made up 30 per cent of Scottish manufacturing output, and in 1995 the sector's output grew 27 per cent to £10.4bn.

In 1995 the Scottish electronics sector's expenditure on design and development fell by 11 per cent and made up only 0.7 per cent of total revenue.

Editorial comment, Page 11



Among the nightmares that haunt corporate leaders, one of the worst must be flawed products. Especially if the consumers discover the flaw rather than the company's

inspectors. Recalling tons of merchandise, fixing the fault, losing millions is bad enough. But image loss, legal battles and compensation claims can far outweigh these prob-

lems. While all the supersmart machines and trained brains in the world may not be able to prevent such a catastrophe, being prepared can soften it considerably. As a

leading global insurance group, we concentrate on selected industries, regularly talking to and - more important - listening to them. Our first priority is to help them avoid

liability claims. But just in case, we also assist in designing recall plans to limit damage. Finally, with innovative risk transfer solutions you can be sure of a good night's sleep.



COMMENT & ANALYSIS

Edward Mortimer
Kabul confusion

The new Afghan regime seems to confirm western nightmares about Islam. Yet it may be a western ally

You have to hand it to Professor Samuel Huntington, the Harvard political scientist. More than three years after his article "The Clash of Civilizations" first appeared, the debate it stirred up is still raging.

Huntington predicted that the next century will be one of conflicts between cultures or "civilisations", where the key question is "what are you?", rather than between social classes or ideologies, where the question is "whose side are you on?".

In a rare defence of Huntington published in the current issue of *Prospect*, Josef Joffe, the German commentator, claims: "Nowhere in the Islamic world... is there anything resembling a real democracy".

Joffe goes on to defend Huntington's famous assertion that "Islam has bloody borders". The frequency of conflict, he suggests, "correlates nicely with Arab/ Islamic geography": Arabs versus Israel, Iraq v the west, Iran v the US, Pakistan v India, Turkey v Greece, Libya v Chad, Sudanese Moslems v Sudanese Christians and animists, Syria v Lebanon.

Are there then no conflicts in other parts of the world? Moslems are hardly unique in their tendency to resist when invaded or occupied, or in the propensity of some of their rulers to expand into other people's territory.

Still, defenders of Islam are going to have a hard time with the latest events in Afghanistan, a non-Arab Moslem country which has had more than its share of conflict, both internal and external. A communist coup there in 1978 was followed by a conflict between rival groups of communists, leading to a Soviet intervention in 1979.

Of course, the victims of the Taliban are also Moslem. But the Taliban would argue that these people have abandoned traditional Islamic culture and succumbed to the lure of western civilisation. The fact that this civilisation was brought to Afghanistan mainly by Russian communists makes no difference. Communism, seen from a traditional Islamic viewpoint, is simply one of the forms that western decadence can take.

The Iranian official also thought the Taliban victory would work in Russia's favour, because it was a defeat for the Tajik movements in Afghanistan, which have been supporting the Islamic opposition to the Russian-backed regime in Tajikistan.

More interesting, though it fits less well with Huntington's thesis, is Joffe's observation that conflict is very frequent both between and within Moslem states. Unfortunately all his examples are drawn from the Arab world. Like many commentators, he falls into the trap of equating "Arab" with "Islamic", forgetting that Arabs constitute only one fifth of the Moslems in the world, at the most.

Now the Taliban, a movement armed if not created by Pakistani intelligence, purports to impose Islamic peace, benefiting from popular disillusionment with the feuding resistance groups. All efforts to explain that Islam is a peaceful, tolerant religion, distorted by the western media, have been wiped out at a stroke by the sight of the former Afghan president and his brother strung up from a balcony, followed by reports that the triumphant Taliban (Islamic "students") have forbidden women to go to work or to school, beaten those who showed an ankle in public, and banned all forms of entertainment, including music.

That may seem far-fetched, but the US has so far been remarkably polite about the Taliban, whom it clearly sees as a counterweight to Iranian influence. In private, US officials have even rejoiced at the fate of President Najibullah, despite the barbarous manner of his death and the fact that he was supposed to be under UN protection.

Clearly "what are you?" is a very important question in the Afghan context, but one to which "Moslem" is an insufficient answer. In the global context "whose side are you on?" remains a relevant one which cannot be answered by pigeon-holding groups into broad categories of culture or "civilisation".

The Taliban: armed to the teeth to impose Islamic rule

LETTERS TO THE EDITOR
Number One Southwark Bridge, London SE1 9HL
We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fnoe"), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, http://www.ft.com. Translation may be available for letters written in the main international languages.

Towards a federation with Maastricht 2

From Mr Jan-Peter Olters.
Sir, The decision has already been made: European integration will be a multi-speed process. Maastricht 1 has outlined criteria according to which member states can qualify for membership in Emu. The UK and Denmark have enshrined their options for a political "opt-out" in it.

European continent by the beginning of the next millennium along parallel lines.
A political union or "European federation", as envisaged by some of the main continental European countries, should form the centre - complete with a single currency, central political institutions and common policies - around which other countries arrange themselves.

EC- and EEC-type arrangements.
That way, it will not be the most reluctant partner that sets the pace for European integration, and a European house can be built for those who want to live in it. Similarly, those countries that have little interest in committing themselves beyond free trade will have the opportunity of choosing between EU-EC-EEC-memberships.

subsidarity added (where desired), and the ambition by the maximalist governments not hampered by those unconvinced. Recent experiences have shown the limitations of a uni-speed approach. Maastricht 2 could, in the end, be what the intergovernmental conference's nickname implies, the completion of Maastricht 1 to the benefit of all.

Clothing suppliers shun partnerships
Ready to take advantage

From Mr Peter Burton.
Sir, As my firm has just completed and published a research study of the relationship between independent retailers and manufacturers in the clothing industry, with the support of the British Shops and Stores Association, I am emboldened to comment on your reports ("Textiles industry", October 3) of sweatshop conditions in UK factories.

retailers are crying out for manufacturers to take a partnership approach and to match their service to the requirements of their businesses.
Unfortunately, few suppliers seem to behave in this way. Instead, their over-long and erratic delivery times, their chaotic invoicing methods, their reluctance to use information technology, and their generally adversarial approach, seriously limit the volume and quality of business that the retailers can do.

retailers, who will become much less price sensitive as their business volumes increase. There will be more money for everyone along the supply chain, including for those who sit and sew.
The industry needs a standard against which manufacturers can get an independent audit of their business approach, which would measure both their competitiveness and the degree to which they treat their workers in an ethical manner.

From Mr Kees J. Kempenaar.
Sir, I refer to your report "Low benefits costs help hoteliers" (October 3). UK hoteliers gain less advantage from low social security costs than from relatively high room rates. The higher proportion of labour costs to revenue in France and Spain says at least as much about their denominator as it does about their numerator.

Misleading view of UK vocational training progress

From Mr John Hillier.
Sir, While the National Council for Vocational Qualifications (NCVQ) welcomes all constructive comment on vocational qualifications, Peter Robinson's report *Rhetoric and Reality* (Personal View, October 7), which uses out-of-date statistics and misinterpreted data, must be called into question.

acknowledge the tremendous progress made by NVQs since 1990. Current figures show that 35 per cent of all vocational qualifications are now NVQs and the level of satisfaction among employers and employees is very high. Some 91 per cent of employers currently offering NVQs say they will continue to use them and more than 90 per cent of people who have been awarded an NVQ would recommend them to colleagues.

for NVQs over the last four years has averaged more than 30 per cent. The number of certificates awarded so far this year is 26 per cent up on 1995.
Research in the workplace shows that 42 per cent of businesses employing more than 11 people now offer NVQs, rising to 70 per cent of locations employing in excess of 500. Around 1.2m people already hold NVQ certificates. The awarding bodies have told NCVQ that more than 1m people are formally working towards an NVQ with up to the same number doing so but not officially registered, giving a total in excess of 2m.

We welcome discussion and debate about all aspects of vocational qualifications when it is informed and relevant. Unfortunately Peter Robinson's report is liable to cause more confusion than clarification and it is disappointing that a body such as the London School of Economics should produce such an unbalanced piece of work.

William Dawkins on Japan's pre-election nationalism
The risks of ambivalence

JAPANESE ELECTIONS
The Japanese, always hypersensitive to foreigners' views of them, were yesterday treated to an unwelcome picture of themselves under attack.
On the front pages of many Japanese newspapers was a photograph of three protesters from Taiwan and Hong Kong, standing on a Japanese-owned rock in the East China sea, waving Chinese and Taiwanese flags. The rock is part of the disputed Senkaku islands, or Diaoyu as they are known in Chinese, owned by Japan but also claimed by China and Taiwan.
The once obscure islands have become the focus of bitter anti-Japanese sentiment among Japan's Chinese-speaking neighbours, provoked by the construction of a makeshift lighthouse there in July by a rightwing Japanese group. The lighthouse was seen as a beacon of Japanese expansionism.
The demonstrations, which led to tragedy last week when one Hong Kong protester drowned, have been an embarrassment for all the governments involved, unwilling to upset their delicate relations and unused to being cornered by nationalists in their own, or anybody else's, camp.
But none is more embarrassed than Tokyo. Japanese leaders are prevented by the imminence of a general election on October 20 from continuing to shelve the question of who owns the rocks, which sit on top of rich fishing grounds and potentially rich oil reserves. No government in the world can afford to go soft on sovereignty weeks ahead of a vote. Thus Japanese coastguard vessels

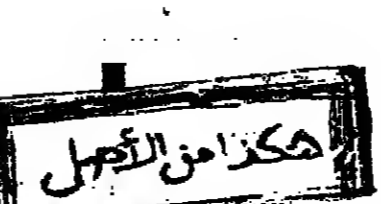
have had to carry out an uncomfortable double duty of warding off intruders and supplying doctors to try to resuscitate those who come to grief.
This imbroglio is a reminder of the continuing diplomatic sensitivity between Japan and China, the most important bilateral relationship in Asia. Will the island row upset the intricate balance between them? The answer hinges on whether Japan's real mood is even half as nationalistic as its Asian neighbours' worst fears. The signs are that it is not.
"The majority of the public do not regard this issue as very important. We are talking about a very small fringe," says Mr Takashi Inoguchi, professor of politics at Tokyo's United Nations University. Mr John Neuffer, political analyst at Mitsu Marine Research Institute, adds: "These people are irritating and loud. But they do not drive policy. This is not a return to the 1930s."
No mainstream Japanese politician has so far mentioned the islands in an election campaign hitherto devoted to humdrum domestic issues, such as deregulation.
Senkaku/Diaoyu islands: a question of sovereignty
16th century: noted on Chinese maps
1895: annexed by Japan, along with Taiwan. Sold to Tatsushiro Kojima, who sets up a dried fish factory, in business until 1940
1945: Japan hands Taiwan back. Control of islands, now part of Okinawa prefecture, reverts to US
1972: US returns islands to Japan, along with Okinawa
1973: Kojima's son sets islands to Kurioka Kohzaburo, a landowner in Saitama, central Japan

lution, the power of the bureaucracy, tax reform and an ageing population. And the government has done its best, within pre-election limits, to defuse island tensions, by not sending in the navy and by refusing to grant an application to have the lighthouse officially registered as a navigation beacon.
The group which built the lighthouse and lodged that application, the Japanese Youth Federation, has no part in respectable politics because it belongs to no political party. It is the personal fiefdom of its founder and president, an anything but youthful 59-year-old Mr Toyohisa Etoh, a rich Tokyo entrepreneur, who says he financed the escapade alone.
It is among 1,000 rightwing groups active in Japan, with about 90,000 members overall, according to the National Police Agency. But while small, Mr Etoh's men are not the kind that one would wish to argue with, thanks to suspected links with the *yakuza*, the Japanese equivalent of the Mafia. Thus the federation carried out its plans without permission from the island's owner, a property developer in Saitama, rural central Japan, who says he feels deeply embarrassed and wants nothing more than to leave the islands in their natural uninhabited state.
The islands row may, on its own, be a quirk. But what worries Japan's neighbours is that it does happen to coincide with a reassertion of nationalism by the Liberal Democratic party (LDP), dominant member of the government coalition.
Mr Ryutaro Hashimoto, the prime minister, raised hackles across east Asia when he celebrated his birthday at the end of July by paying a visit to the Yasukuni shrine in central Tokyo, where the ashes of Japan's war dead, including those hanged as war criminals,

are buried. It was the first such visit by a Japanese premier in 11 years. The LDP followed up that gesture last week with an election manifesto supporting visits to Yasukuni by government ministers and restating Japan's sovereignty over the East China Sea islands.
The manifesto, however, is not the full message. As so often in Japan, policy is hinted at, rather than clearly stated. Shortly after the LDP plan was published, Mr Hashimoto announced that in deference to China he would never revisit the shrine so long as he was prime minister.
Shortly after taking office earlier this year, he had performed a similar retreat from nationalism by resigning as chairman of the bereaved war families' association, an influential rightwing LDP group.
The message is thus deliberately ambivalent. On the one hand, Mr Hashimoto must play to the nationalist right wing in his own party. These include elderly politicians such as the four cabinet ministers over the past decade who have had to resign for making tactless remarks over Japan's war record, but who still wield power behind the scenes.
Mr Hashimoto himself got into trouble only two years ago for saying that it was a matter of "delicate definition" whether Japan committed aggression against Asian nations during the second world war.
On the other hand, he must respect important foreign friends. Thus far, Mr Hashimoto's balancing act has served domestic interests well, in that he has kept his party and a diverse coalition together. But the islands row invites the question of how much longer Japan's neighbours are going to tolerate the Tokyo government's ambivalent nationalism.

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FINANCIAL TIMES

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Wednesday October 9 1996

Search for calm in Korea

The unpredictability of a North Korean regime beset by a critical shortage of food and foreign exchange makes this region arguably the most explosive flashpoint in Asia. It requires cool heads on the part of all involved to prevent the situation getting out of hand.

Their call

The price of a transatlantic telephone call for the UK is becoming astonishingly low compared with what people were used to a few years ago. British Telecom's 25 per cent reduction in prices, which comes into effect today is stimulating a round of price competition with profound implications for customers.

Taxing buybacks

A few years ago, British companies rarely bought their own shares or paid special dividends. Such methods of recycling spare cash to shareholders were seen as a sign that management lacked imagination.

An uncertain half-life

GEC Alstom's merger with Framatome could be a turning-point for the nuclear sector, say Stefan Wagstyl and David Owen

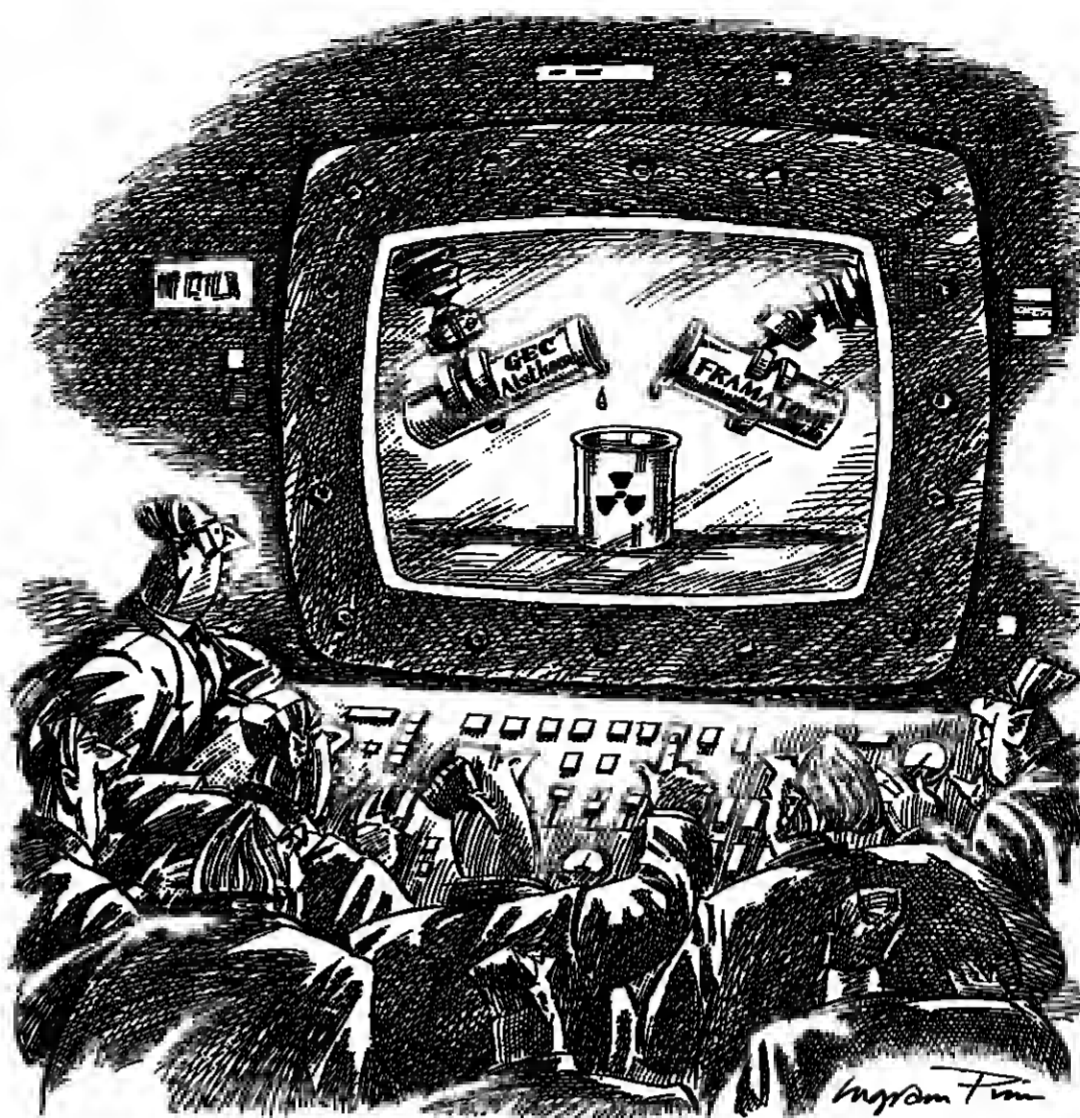
The proposed merger between GEC Alstom, the Anglo-French group, and Framatome, the state-controlled French nuclear construction company, is the biggest corporate consolidation in the nuclear engineering industry this decade.

Not since ABB, the Swiss-Swedish combine, acquired Combustion Engineering of the US in 1989 for \$1.6bn has the industry, which is dominated by a handful of large integrated engineering groups, seen plans for such a significant realignment.

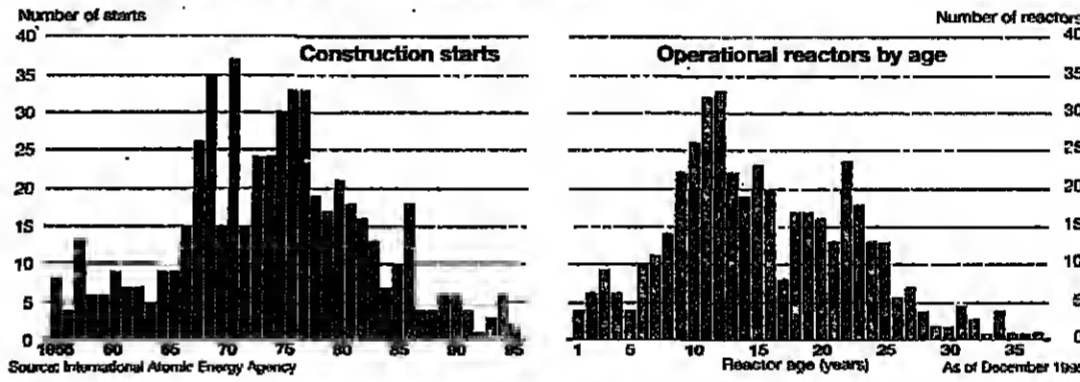
General Electric Company (GEC) and Alcatel Alstom, GEC Alstom's two shareholders, have given themselves to the end of the year to work out the details, including capital structure and the relationship of the planned entity to the French government.

At first sight, it seems bizarre that GEC should now want to invest in nuclear engineering, given the industry's depressed state. In north America and western Europe, which pioneered civil nuclear power, the order books for new nuclear plant stand close to zero.

Only in east Asia, notably in South Korea and China, is there a genuine appetite for building new nuclear plants. But these projects take years to come to fruition and attract intense price competition from the leading manufacturers - Westinghouse and General Electric of the US, Framatome and Germany's Siemens.



World nuclear power: from sales to servicing



For example, in the past decade, Siemens has cut jobs in nuclear engineering from 10,000 to 3,500. Westinghouse has come down from 10,000 to 6,700. Framatome, the world's largest which has the capacity to build three reactors at once, has mothballed factories and halved its nuclear engineering and construction staff to 3,000 in the past decade.

Mr Richard Suidek, head of ABB's US-based nuclear business, says: "New plants are getting older and need more work, but competition is putting pressure on prices."

Nor, given the split between Framatome's nuclear and GEC Alstom's non-nuclear responsibilities, would there be much need for politically-sensitive cuts in the combined group's 90,000 workforce, says Mr Bates.

Walking tall in LA

Lady Liberty of Liberty Island has been carrying her torch alone for too long, according to Michael Levine. She needs a sister on the west coast - entry point for most new US immigrants - to remind newcomers and regulars alike that Liberty has its price.

Glinting Rae

The last thing the Canadian Auto Workers union needs right now is a stab in the back. The union has its hands full with an escalating strike against General Motors, which by tonight will have shut all the company's plants in Canada.

Banking's A B C

At last, the decision we've all been waiting months for. The merging banks Credit Local de France and Credit Communal de Belgique have come up with a name for the combined group. It is... Dexia.

E is for emetic

The name of the British Broadcasting Corporation's new, monthly current affairs TV programme about the European Union has proved a classic Euro-fudge. Anxious to avoid viewer turn-offs such as 'Europe' or 'Euro' anywhere in the title, the producers first hit on the idea of 'Continent'. That swiftly got the boot when someone expressed horror at the thought of presenters starting the show with the words, "And in Continent today..."

100 years ago

The Turkish Budget Under-estimates appear to be the rule in Turkey, not only in regard to the number of the massacred Armenians, but also in financial matters. The Budget Commission has estimated the current year's deficit at only one million pounds Turkish, but, according to Reuter's Constantinople Correspondent, "competent authorities place the figure between three and four millions."

50 years ago

Sea and Air Last April, at the annual meeting of the Cunard Steamship Company, Sir Percy Bates stoutly declared his belief that sea and air methods of transportation are complementary rather than competitive. The air, he declared, would not only breed its own traffic, but also create traffic for the sea.

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FINANCIAL TIMES

Wednesday October 9 1996

PIPELINE CENTER WOLSELEY No. 1 for Quality Service

Negotiations with Russia to start next year Nato moves to calm fears on enlargement

By Bruce Clark in London

Nato said yesterday it was prepared to enter broad negotiations with Russia next year about the balance of conventional forces in Europe. The move is aimed at easing Russian concerns over Nato's plans to enlarge...

sia's President Boris Yeltsin accused Nato of creating "cold peace" in Europe through its plans to embrace new members. As part of its effort to extract a high diplomatic price for agreeing to Nato's expansion...

ing as much as possible of the treaty," said Ms Sarah Walkling of the Arms Control Association, a US think-tank. The western alliance wants to avoid a total negotiation of the conventional forces treaty...

Canadian and Briton win Nobel prize for economics

By Graham Bowley in London

Professor William Vickrey of New York's Columbia University yesterday became the first Canadian to win the Nobel prize for economics, sharing the \$1.2m award with Professor James Mirrlees...

The 82-year-old, born in British Columbia, is also renowned for his famous study of the New York subway fare system in the 1950s, which looked at how governments could provide an efficient public service at the same time as covering costs.

Tories plan strict curbs on strikers in election move

By Robert Peston, Political Editor

Britain's Conservative party will pledge itself today to introduce new deterrents on strikes by workers in essential public services that would be among the most severe in the industrialised world.

losses or increased costs as a result of a strike to sue the unions involved. "They could end up paying damages running to millions", said a senior member of the government yesterday.

platform with a kiss between Mr John Major, the prime minister, and his predecessor, Baroness Thatcher, following two years of coded attacks on each other.

Russian energy pledge

Continued from Page 1

openly voicing his Kremlin ambitions while Mr Yeltsin was still in charge of the country. Opposition politicians warned that the escalating presidential struggle between the country's top politicians had left the nation without an effective government.

are now three governments," said Mr Grigory Yavlinsky, leader of Yabloko, Russia's strongest democratic opposition party.

Tobacco sale

Continued from Page 1

higher than the 10 per cent goal set by American Brands. Although the transaction is being presented as a spin-off, American Brands is in effect selling Gallaher because it is making the subsidiary borrow \$1.4bn and hand it over to Fortune Brands...

THE LEX COLUMN Kicking the habit

The demerger of American Brands' UK cigarette subsidiary, Gallaher, says little for the efficiency of stock markets. American tobacco litigation fears continued to dog American Brands' share price two years after it sold its entire US tobacco business...

FT-SE Eurotrack 200: 1807.2 (-4.2)



since this is meat and drink to Mr Rice, the promised \$130m of merger savings look secure. LucasVaryity should therefore produce a one-off enhancement in earnings per share of 20 per cent and annual earnings growth of 15 per cent until the end of the century.

That leaves one real challenge: the group's strategic position. While the merger has improved its market shares in brakes and diesels it is not number one in either. There will also come a time when it will have to double up in aerospace or sell out - and a merger rather than an acquisition could be the solution.

which Gazprom shares trade in Russia. True, the domestic shares should be worth less - not least thanks to Gazprom's heavy-handed rights over them - but such a huge discount is tricky to explain away. And while Gazprom may be right that it can prevent domestic shares from leaking out and depressing the international price...

LucasVaryity That old bride Lucas is putting Varyity, her smart young groom, through its paces. While Varyity unveiled dull second-quarter figures yesterday, Lucas is finally doing rather well. Its last set of independent results showed rising market share and margins. Looking at economic value added, the favourite yardstick of new chief executive Mr Victor Rice...

VNU/Bienheim It would be premature to talk of a walk down the aisle, but after a protracted whirl of courtships, exhibition group Bienheim may at last be within sight of the altar. The Dutch publisher VNU has emerged as a dawn swoop which captured 14 per cent of Bienheim. The question now is how Bienheim's earlier beaux will respond. Both United News and Medis and Reed Elsevier balked at paying the \$5 a share Bienheim was asking, and which VNU stumped up for its stake.

FT WEATHER GUIDE Europe today The British Isles will have sunny spells. Scotland and Ireland are likely to have showers. Northern Spain, northern France, the Benelux and southern Scandinavia will have cloud and rain. The Norwegian coast will have heavy rain. Northern Germany will have some rain. The Alps and Switzerland will be mostly cloudy and dry. Southern France and most of Spain will have sunny periods. Italy, the Balkans and Greece will have rain and thunder showers. Southern Turkey will have scattered thunder showers. Five-day forecast High pressure over the Atlantic will bring generally dry and sunny conditions to most of western Europe. The rain and thunder showers over the Mediterranean will move to the east. TODAY'S TEMPERATURES Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands.

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IN BRIEF

Adidas signs up for World Cup

Adidas, the German sportswear group, has used a combined sponsorship and licensing agreement for the 1998 football World Cup in France. This is the first time a sporting-goods group has been given such extensive rights in competition, one of the world's most watched sports events. The announcement lifted Adidas shares, which ended DM1.40 higher at \$143.40. Page 16

Adidas to buy 5 Africa broker

Société Générale, the French bank, is set to announce today it has acquired majority control of Frankel Pollak, one of South Africa's largest brokers. The deal, for an undisclosed sum, part of the bank's continued efforts to expand equity operations around the world, often through buying established groups. Société Générale is buying 51 per cent of Frankel Pollak, with the partners retaining the rest. Page 14

Merrill Lynch cuts jobs in equity trading

Merrill Lynch, the leading equity trader in the US, is to cut 14 of its 54 market-making staff and of the introduction next year of order-driven trading in the top 100 shares in the London market. Merrill's announcement, coming as similar moves by NatWest Markets and Warburg, increases the pressure on other investment banks to take action. Page 18

LucasVarity seeks \$150m savings

LucasVarity, the Anglo-US automotive and aerospace components group created by the merger of Lucas Industries and Varity Corporation, is looking for initial savings of at least \$150m. The enlarged company, which reported a 10 per cent increase in operating profits of \$85m last year, and a similar amount from tax savings, had two companies had been fully integrated. Page 18

CityTrust bank cleared

Bank of the Philippine Islands (BPI), the city's third largest, yesterday received the go-ahead to merge with CityTrust Banking Corp, the seventh largest. The tie-up is the largest banking sector's first big consolidation. It was opened to foreign competition last year. Page 17

Companies in this issue

Table listing various companies and their stock prices, including industries like Hydex, ICI, ITI, etc.

Table of market statistics including foreign exchange, stock indices, and interest rates.

Table of price changes yesterday for various stocks and indices.

Hopewell poised for Ceba sale

By John Pickering in Hong Kong

Hopewell Holdings, the Hong Kong property and infrastructure group, appears set to sell all or part of its controlling stake in Consolidated Electric Power Asia (Cepa), following yesterday's suspension of shares in the power project company.

groups from Europe seeking to expand in the Asian energy market.

The sale of a Ceba stake would ease the group's debt burden and help fund projects in Thailand and China. But industry analysts said Mr Gordon Wu, who manages both Hopewell and Cepa, might prefer to sell a minority stake and retain a holding in the company.

projects and these are beginning to bring returns.

Without Cepa, Hopewell would rely on earnings from real-estate assets in Hong Kong and on infrastructure projects in southern China and Thailand. "Earnings prospects would be poor if the whole Ceba stake was sold - at least until new projects are brought to fruition," said one investment banker.

debts, including those consolidated from its joint ventures in China, at more than HK\$25bn.

"They really need to raise cash, even if it is just to buy time to arrange project financing for the Bangkok project," said one banker. "Having abandoned plans to spin off its transport businesses, the sale of a big chunk of Ceba shares seems the main option."

large project in India. In the summer, it launched commercial operations at the Shajiao C power plant in southern China, and it recently signed a letter of intent to build four 660MW units in Shenzhen, across the border from Hong Kong.

The price per share, say analysts, would depend on whether Mr Wu decided to sell all or part of Hopewell's stake. "If they go for the 60 per cent then we are looking at HK\$18 or more," said one analyst. Yesterday, Cepa's shares were suspended at HK\$18.10. Hopewell's were suspended at HK\$4.425.

Dawn raid by VNU nets 14.99% Blenheim stake

By Motoko Rich in London

VNU, the Dutch publishing and information services group, yesterday launched a dawn raid on Blenheim, the UK exhibitions organiser, snapping up a 14.99 per cent stake in the company.

takeover code rules without making a formal bid. Its shares closed at Fl33.90 in Amsterdam yesterday, down Fl0.60.

Blenheim said it had been aware of VNU's interest in the company, but "did not encourage this course of action". It is believed to have conducted informal talks with VNU.

would all be logical parents for Blenheim because they could use their business magazines to promote Blenheim's exhibition operations.

Blenheim is believed to have rejected an offer from United as too low in August. It is thought Reed backed off from active talks around that time. Mr Anthony de Laranaga, analyst at Panmure Gordon, said: "It seems that what Blenheim wants is someone to pay a figure with a five in front of it."



Wage inflation: Peter Schmeichel is among 13 Manchester United stars on new lucrative long-term contracts. Details, Page 18

Tchuruk sees French leading defence shake-up

By David Buchan in Paris and Ross Tloman in London

Mr Serge Tchuruk, head of Alcatel Alsthom, yesterday made clear his determination to ensure that French interests dominated the looming consolidation of the European defence electronics industry.

any enlarged defence business. Mr Tchuruk told French newspaper Le Figaro the enlarged group would be bigger in defence and space than any other European group.

His remarks will set the stage for tough negotiations with General Electric (GE), a company of the UK, and possibly Daimler-Benz Aerospace (Dasa) of Germany, if Alcatel wins control of Thomson.

Thomson-CSF has annual sales of FF766bn (\$76bn) and is strong in avionics, communications and missiles. Marconi, with defence sales of £3bn (\$4.7bn), is a European leader in avionics, communications, and naval and land systems. But they are dwarfed by US groups such as Lockheed Martin, Hughes, McDonnell Douglas and Raytheon.

son will unleash a complex chess game between European defence companies and their governments. GEC already has joint venture companies with Alcatel, Thomson-CSF, and Lagardère.

Mr Tchuruk said if he won Thomson, the defence arm would be integrated into the heart of Alcatel's large telecommunications, cables and systems business.

Barry Riley Emu teaser as emerging debt heads beyond Brady

This isn't a consequence of European economic and monetary union that most of us worry about, but spare a thought for global bond fund managers. Where will they find diversification in future?

For Europeans the idea of investing in risky debt has seemed strange. Bonds, surely, are designed to be safe. You should invest in equities if you seek risk. But in the UK it is much more common for institutions to be constrained to invest only in fixed income paper, which is why demand developed for risk within a bond market framework. That

oped country sovereign bonds. But there are large short-term variations, making possible significant reductions in risk compared with an exclusively domestic portfolio.

This is where Emu's elimination of currency risks poses such a threat. If it embraces the whole EU, the global government bond funds would be left with only the US, Canada, Japan and maybe Australia to provide diversification, though there will probably also be UK gilts for a while.

Developing country debt could exploit a gap here. There was a strong message from Mr Chris Golden, Nomura's London chief of fixed income research, when he spoke last month at the congress of the European analysts' federation (EFAs) in Barcelona. He said, paraphrasing, that if the debt did not exist it would be necessary to create it.

Emerging debt returns have raced past those of emerging equities

is where domestic junk bonds came in, and emerging market bonds are sovereign junk.

The theory is that so long as the returns on different classes of bonds are poorly correlated it is possible to add return and reduce volatility by rotating among them. Bond managers can add value and hope to be paid higher fees.

In Europe, international bond funds have been expanding rapidly. The funds measured by the consultants Frank Russell have doubled in size to \$170bn in five years. In the long run, Russell has found, there is no significant difference in the returns (in a common currency) on devel-

Much of the existing debt, such as Brady bonds, may not be relevant here, because it is denominated in dollars. This paper is being chased mainly by dollar-based US funds. To provide full diversification benefits for global funds the bonds must be denominated in local currency. Watch out, your pension fund may soon be investing in Mexican peso bonds.

There will, presumably, be limits to the quality of paper which will be acceptable. Already there is a J.P. Morgan Emerging Local Markets Index of 10 countries, chosen on complex criteria. Such countries may turn out to be unexpected, and maybe undeserving, beneficiaries of the EU's move to the euro.

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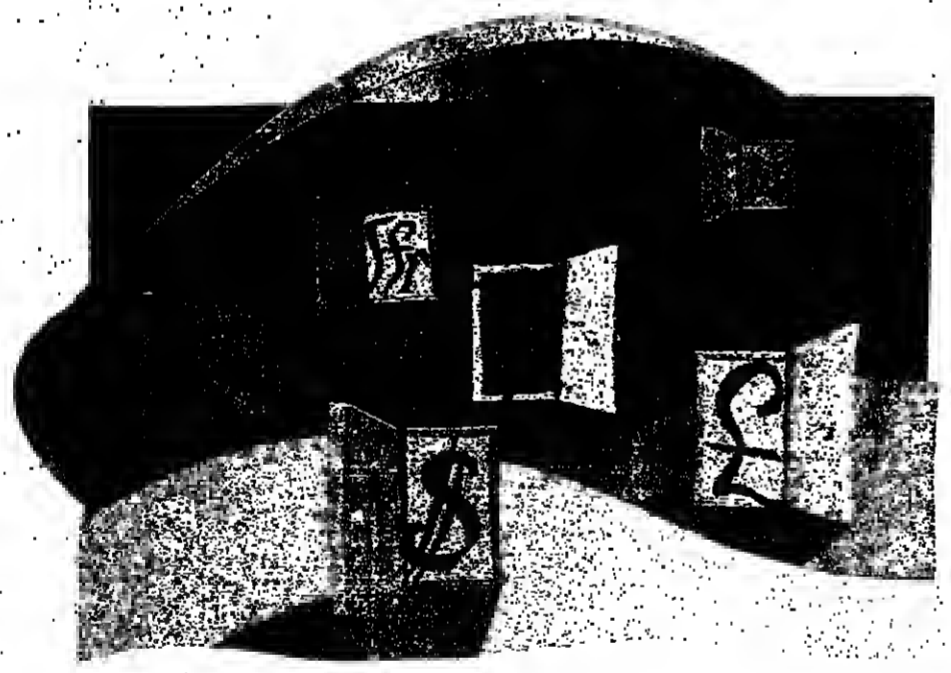
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COMPANIES AND FINANCE: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

CBA warns of flat profits

Mr Tim Besley, chairman of Commonwealth Bank of Australia, the privatised commercial bank, yesterday warned that the profit outlook for the current financial year remained flat. "We are now three months into the financial year and nothing has changed to prompt the bank to revise its assessment," he said at the bank's annual meeting in Melbourne.

However, Mr Besley said the bank was not expecting a lower result, and that earnings per share should improve as a result of the recent buy-back of 100m shares from the federal government, stock which was then cancelled. "There's no suggestion that I'm saying profit will fall off this year," he said after the meeting. CBA shares closed 11 cents lower at A\$1.90.

National Mutual shares listed

The "demutualisation" of National Mutual, Australia's second-largest life insurer, was completed yesterday when shares in the company were listed on the Australian stock market at A\$1.76, a comfortable premium to the A\$1.60 institutional offer price set on Sunday. The shares closed at A\$1.80, valuing the company at more than A\$3bn (US\$2.4bn).

Vietnam bank bids approved

Vietnam's Asia Commercial Bank (ACB), based in Ho Chi Minh City, has approved bids from six foreign institutions for the placement of 30 per cent of a new share issue. The decision is a further step towards extending ownership of business beyond the state, in a country with no stock market and where foreign stakes in local companies have, with a few exceptions, been forbidden.

Indosat cuts interim dividend

Indosat, the listed Indonesian satellite telecommunications company, will pay a 1996 interim dividend of Rp68 a share, down from Rp69.18 in 1995. In Jakarta, shares in Indosat closed Rp25 lower at Rp7.578 in light trading.

Bayer to build ABS stake

Bayer, the German chemicals group, has launched a bid to acquire a majority stake in the Indian plastics maker BS Industries. In a rare deal for India, Bayer's 100 per cent-owned subsidiary Bayer Industries has agreed to buy 5.68m shares in ABS at Rs70 each. The Rs390m (\$10.9m) deal will give the Bayer subsidiary a 31 per cent stake in ABS.

JR West disappoints on debut

The president of JR West, the railway company which made its debut on Japan's main exchanges yesterday, has cast doubt over the country's remaining rail privatisations. He said yesterday: "It will be difficult to evaluate their shares and sell them."

In spite of early indications of enthusiasm, 335,000 of the total remained unsold. The government has said it will sell all shares it holds in JR West, JR Tokai and JR East by the end of 1998, to clear up the long-term debt left with JNR. The transport ministry said it was now considering lowering the percentage ratios for share allotments to public subscription and tender for the listing of JR Tokai.

Kawasaki Heavy in five-year plan

Kawasaki Heavy Industries is looking at least to double recurring profits by 2001, from Y27bn (\$242.7m) in the year to March 1996 to Y60bn. In a five-year plan unveiled yesterday, the aerospace, engineering and shipbuilding company said it aimed to increase consolidated

sales by 26 per cent, from Y948.9bn last year to Y1,200bn in the year to March 2001. It was looking to lift group sales from Y1,086bn to Y1,500bn, while pre-tax profits would increase from Y31.2bn to Y70bn. Kawasaki Heavy said.

Go-ahead for merger of BPI and CityTrust

The Bank of the Philippine Islands (BPI), the country's third largest, yesterday received the green light to merge with CityTrust Banking Corp, the seventh largest. The tie-up is the domestic banking sector's first big consolidation since it was opened to foreign competition last year.

The move, which increases BPI's total assets to 190bn pesos (\$7.2bn) from 156bn pesos, is expected to strengthen its position as the leading bank in the country's fast-growing consumer financing sector. The merger with CityTrust, which was partly owned by Citibank of the US, will give BPI more than 50 per cent of the car loan and housing mortgage sectors, said analysts. CityTrust's shares were delisted on Monday.

Table with 2 columns: Bank Name, Assets (Pesos). Includes Philippine National Bank, Philippine Commercial International Bank, etc.



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COMPANIES AND FINANCE: UK

LucasVarity to seek £130m of savings

By Tim Burt

LucasVarity, the Anglo-US automotive and aerospace components group created by the recent merger of Lucas Industries and Varity Corporation, is looking for initial savings of at least £130m (£202.8m).

The enlarged company, which yesterday reported sharply improved annual profits from Lucas Industries, predicted operating savings of \$85m a year, and a similar amount from tax savings once the two had been fully integrated.

Mr John Grant, finance director, suggested most benefits would come from combining the companies' braking operations, with European production of anti-lock brakes being focused on Varity's ABS plant in the Netherlands. He said that move would

involve only modest rationalisation, but added: "There are lots of areas where we are only scratching the surface. There is great scope for reducing costs."

Mr Grant was speaking after Lucas reported pre-tax profits up from £30.4m to £180.1m, on increased sales of £2.99bn, compared with £2.8bn, in the year to July.

The figures, flattered by \$95m of restructuring charges in the previous year, reflected increased demand, particularly in the automotive after-market and electrical and electronic divisions, while profits more than doubled at Lucas Aerospace.

That contrasted with relatively flat second-quarter figures from Varity, also released yesterday, where operating income rose from \$51m to \$52m on sales up to \$603m from \$572m.



John Grant: looking for cuts

Forecasts for ICI revised

By Jenny Livesby

Analysts are scaling down their forecasts for profits at Imperial Chemical Industries, ahead of its third quarter results, scheduled for October 24.

The company has already suffered successive profit downgrades this year as prices have collapsed in its highest businesses.

Analysts are now moving full-year forecasts towards \$600m (\$936m) from £1bn at the beginning of the year, and \$700m following its second quarter results.

ICI last year made pre-tax profits of £951m. The biggest decline since then has been in the polyester and titanium dioxide divisions.

In polyester, ICI makes the raw material and the final plastic for mineral water bottles. Titanium dioxide colours paints.

Merrill Lynch cuts jobs in equity trading

By Nicholas Denton

Merrill Lynch, the leading equity trader in the UK, is to cut 14 of its 64 market-making staff ahead of the introduction next year of order-driven trading in the top 100 shares in the London market.

Merrill's announcement yesterday, coming after similar moves by NatWest Markets and SBC Warburg, increases the pressure on other investment banks to take action.

UBS revealed it was reducing staffing through natural wastage. About a dozen are expected to go by next summer.

More than 25 per cent of all London market-making jobs are expected to disappear because the increasing

proportion of low-margin "programme trading" has depressed revenues and technological developments have allowed efficiency gains.

The order-driven trading system will allow computer matching of buy and sell orders and reduce the need for time-consuming telephone conversations.

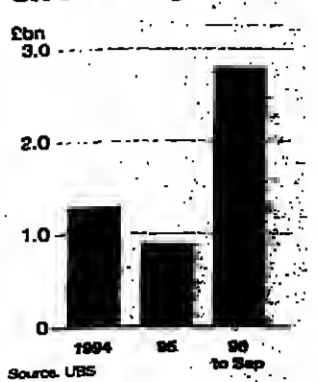
Merrill said it would anticipate the reforms by trading the FTSE-100 stocks as a distinct group. Smith New Court, the UK market-making firm Merrill acquired last year, allocated stocks by sector.

Mr David Marks and Mr Geoff Lewis, head of UK and European market-making respectively, are retiring. About four UK equity trading staff will be relocated to other departments.

LEX COMMENT Buy-backs

The market has over-reacted to the government's decision to close a tax loophole relating to share buy-backs and special dividends. The rule change will harm tax-exempt shareholders, but the impact is marginal. It does not justify yesterday's 2 per cent-plus falls in the shares of many utilities and Reuters. The rules will not change the tax treatment of most special dividends. So there will still be a tax-efficient way for a company to return cash to investors. What companies will probably not be able to do is devise schemes allowing tax-exempt shareholders to gobble up nearly all the tax credits attached to such recycling of capital.

UK share buy-backs



What does this mean for Reuters? It had planned £618m of innovative "special dividend shares". Since tax-exempt shareholders could have cashed in the associate credits, it would have made sense for them to buy the special dividend shares from tax-paying investors. But even if all the credits had found their way to tax-exempt shareholders, they would only have been worth £153m. Moreover, Reuters is still free to pay special dividends. And tax-exempt investors will still receive credits, but only in proportion to their share of the company's equity. If their own half Reuters' shares, their credits will be worth £7m. That is £7m less than the maximum possible under Reuters' original plan or only 0.6 per cent of its market capitalisation. Yesterday's 2.6 per cent fall in its shares is at least four times overdone.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total for year
Bloomsbury Publish	4.4	(3.1)	0.376L	(0.391L)	4.41L	(4.55L)	0.7	3.4
Intermediary Cap	211	(17.8C)	11.14	(10.5)	15.3	(14.9)	4.8	13.4
Lucas Inds	2,989	(2,796)	180.14	(30.44)	12.1	(3.8L)	-	7
Lyons Irish	27.1	(37.9)	8.51	(12.6)	24.59	(35.02)	5	16
Manchester United	53.3	(80.6)	15.4V	(20)	18.4	(23.4)	3.6	5.2
Merrivale Motors	11.21	(14.86)	0.754	(2.22)	1.7	(7.83)	2	3.75
Mowbray G	-	(-)	-	(-)	(-)	(-)	1.2	4.4
Rockwood Motors	10	(8.47)	0.653	(0.652)	2.54†	(4.06)	-	3
Rainie	447.3	(510.1)	0.572V	(101.8L)	0.07	(9.59L)	nil	0.5
Sinclair (William)	45.5	(44.4)	6.33V	(4.73)	16	(14.7)	6.1	7.8
St Ives	328.8	(204.2)	42.2	(35.5)	29.74	(25.36)	7.1	10
Thames	37.6	(35.5)	13.8L	(10.54)	23.48L	(10.36)	3.8	5.3
Trafficmaster	1.54	(1.25)	1.42L	(1.12L)	6.2L†	(5.1L)	-	-
Walker Greenbank	51.5	(45)	4.36	(4.24)	2.42†	(2.51)	1.3	3.7

Investment Trusts

	NAV (p)	Dividend (p)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total for year
HFI Inc & Growth	116.8	(110.3)	1.25	(0.965)	5.05	(3.9)	1.8†	6
Hove City & Covent	121.5	(131.24)	0.43	(0.329)	3.39	(2.59)	1.3	4.3

Manchester Utd dips to £15.4m

By Patrick Harverson

The football adage that success on the field breeds success off it was disproved by Manchester United yesterday when the club reported a fall in profits, despite winning the Premiership and FA Cup double last season.

However, the club put the decline in pre-tax profits from £20m to £15.4m (£24m) down to three one-off factors

and said it expected both revenues and profits to rebound this season.

The fall in profits and a drop in turnover for the year to July 31 was blamed on reduced match attendances due to the rebuilding of the North Stand, the absence of income from the European Champions League, and the replacement of video, book and magazine sales with higher margin royalty income.

NEWS DIGEST

Lonrho to pick hotel bidders

The Lonrho board is poised to select preferred bidders for its Princess and Metropole Hotel chains after abandoning plans for a joint £700m (\$1,090m) flotation.

Fairmont, the San Francisco-based privately-owned hotel group in which Prince al-Waleed, the wealthy Saudi investor has a 60 per cent stake, has emerged as a front runner for the 10 Princess resort hotels. UK-based Stakis and Millennium & Copthorne are among groups vying for the five UK Metropole conference hotels, valued by analysts at between £300m and £350m.

Three US groups are understood to have ruled themselves out. Hilton Hotels Corporation said yesterday it was not interested, while ITT Sheraton and Marriott International are also believed to have withdrawn. It is understood a European hotel group and an Asian chain have also shown interest in Princess, which could fetch £300m. *Sherazade Daneshkhu and Ross Tieman*

Hyder sells rest of CableTel

International CableTel, the US group, yesterday bought the remaining 40 per cent stake in CableTel South Wales from Hyder, the Welsh multi-utility, for \$78m in convertible stock. Hyder had been in talks to sell the local franchise company for a number of months.

The consideration comes in the form of a new class of non-voting convertible preferred stock, which when converted will be valued at \$78m. *Jane Martinson*

Golden votes for Ashanti

Shareholders in Golden Shamrock Mines, the Australian company, have overwhelmingly approved a merger with Ashanti Goldfields of Ghana in spite of a substantial fall in the value of Ashanti's offer since it was made. In August, when the offer had fallen from \$290m to \$265m, there were some indications that there might be a rival bid but this did not emerge. *Kenneth Gooding*

FT may buy Dutch daily paper

By Raymond Snoddy

The Financial Times has opened negotiations to buy Financieele Dagblad, the Netherlands' only financial and business daily.

The FT, part of Pearson, the media, information and entertainment group, has tried to buy the paper before but without success.

The latest negotiations are believed to have the support in principle of the Sijthoff family which owns the nearly 200-year old title and of the paper's important supervisory board.

Mr Alan Miller, deputy chief executive of the Financial Times said yesterday: "We are interested. There have been a series of talks over a number of years, including recently."

Eurotunnel braced for a turbulent journey

The French co-chairman adjusts to new priorities, writes Andrew Jack

Sitting in his Paris office smoking a cigarette and looking extremely weary Mr Patrick Ponsolle, Eurotunnel's joint chairman, is bracing himself for the next step in the group's turbulent evolution.

After more than 12 months of intense negotiations with his creditor banks over an agreement finalised on Tuesday last week, Mr Ponsolle is now adjusting to a new set of priorities. He must now sell the plan to Eurotunnel's investors, ahead of a vote at the extraordinary general meeting next spring.

On Monday he announced details of the restructuring of FF770bn (\$13.5bn) of debt. "Our work is now well engaged," he says. "We have done 60-70 per cent of the work, but we still have 30 per cent to do in convincing the shareholders and banks."

That will not be an easy task. With more than a touch of brinkmanship, he still estimates the chance of success at "a little more than one in two."

Mr Ponsolle argues that there are two interpretations to this week's agreement. From the Anglo-Saxon perspective, he says, it must look "a rather unusual compromise," given that most UK financial restructurings wipe-out a very high proportion of the equity and sometimes fail, ending in receivership or administration.

Eurotunnel, instead, begins with the banks holding just 45.5 per cent of the shares, rising to a maximum of just over 60 per cent.

He says that the second and French reading is much more difficult. "Some shareholders think bankruptcy

would have been a better solution. It's true that it would have imposed substantial sacrifices on the banks, but it would not have prevented shareholders from being liquidated."

"I think we went as far as possible. I tried to pull the elastic as long and hard as possible, but to stop just before it cracked. I honestly do not think we could have achieved more. The two mandates had the same feeling," he adds, referring to Lord Wakeham and Mr Robert Badinter, appointed by the Paris commercial court to assist the talks.

Mr Ponsolle's first challenge will be to help Eurotunnel's shareholders - more than 700,000 - comprehend the plan. It involves a cocktail of debt-for-equity swaps, variable interest loans and optional additional subscriptions by existing investors over many years.

But he rejects suggestions that the agreement is too difficult to understand. "All the simple formulae we looked at would have been extremely disadvantageous for the shareholders. The plan is much simpler than many alternatives."

His other principal campaign in the next few months will be to renew efforts to persuade the French and UK governments to extend the length of the concession. This would increase future returns to investors many years into the next century.

He believes this week's plan will avoid the need for future restructuring, although refinancings are certain to happen. "The big unknown is whether Eurotunnel will be not just a commercial success, but a financial success."

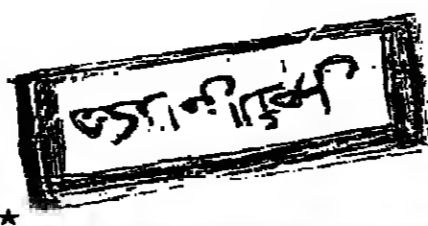
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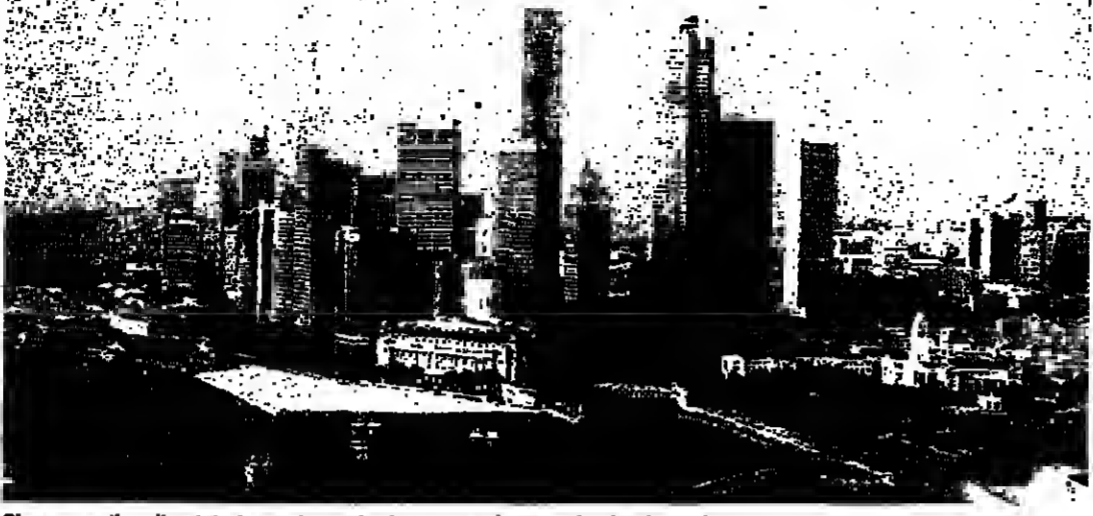


BUSINESS AND THE ENVIRONMENT

Help over the hurdle

Businesses often need some persuading to adopt greener technologies, says Leyla Boulton

What do a former ICI chemist and the head of Greenpeace have in common? A lot, it seems: when it comes to agreeing on the difficulties of promoting new technologies and products to help the environment.



Singapore: the city-state has set up a body to try and attract foreign know-how

know-how with an invitation to help companies disseminate their technologies throughout south-east Asia.

Advice from frontline of eco-management

A chemical executive's guidebook on how industry can find salvation in environmentally friendly innovation is symptomatic of how business is part of the environmental solution and not just the problem.

COMMENT -backs UK share buy-backs ST 10 to pick bidders The rest of Catala this for Ashanti braceed for journey Andrew Jack

TENDER NOTICE UK GOVERNMENT ECU TREASURY NOTES For tender on 15 October 1996

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INTERNATIONAL CAPITAL MARKETS

Annington Finance in £904m securitisation

INTERNATIONAL BONDS By Conner Middelman

The sterling asset-backed securities market yesterday was boosted by a £903.8m transaction securitising rental income from former UK Ministry of Defence properties.

The three-tranche offering partly finances the recent £1.66bn purchase of some 57,000 homes for married service personnel by Annington Homes, a consortium led by Nomura International.

The bonds, issued by Annington Finance, a special purpose vehicle, are secured on quarterly rental payments from the Ministry of Defence guaranteed until 2021. Because this gives the paper an implicit government guarantee, the issue is rated triple-A by Duff & Phelps and Moody's, and carries a 20 per cent risk weighting.

HSBC Markets, joint lead with Nomura, reported strong demand for the deal and said it was oversubscribed following a week of extensive pre-marketing.

"The fixed tranches have gone to traditional core UK investors, as one would expect with a long-dated sterling bond, and the floater has gone to traditional FRN buyers," said an official at HSBC. "The market will trade this as a plain-vanilla benchmark starting bond, not as some exotic asset-backed transaction," he added.

The first tranche comprised £234.1m of 10-year floating-rate notes priced at 99.73 to yield 4.75 over Libor. By the end of the day, the price had risen to 99.88 bid and the spread had narrowed by 3.5 basis points, the official said.

The second fixed-rate tranche of £180m of 7 1/2 per cent 15-year bonds yielding 35 basis points over gilts and £369.3m of 8 per cent 25-year bonds at a 33 basis point spread - were placed mainly with UK investors: asset management firms, pension funds and insurance companies. The spreads on both tranches ended the day at around 30 basis points, HSBC said. Another securitisation hit

the dollar sector late in the day; a \$1bn offering of floating-rate notes for Deutsche Floorman Receivables Master Trust, resulting from Deutsche Bank's purchase of ITT Commercial Finance of the US.

"The bonds are backed by a variety of consumer receivables, many of which are secured by underlying inventories, such as computers, recreational vehicles or musical instruments, lead manager Deutsche Morgan Grenfell said. "The notes are rated triple-A by Fitch, Moody's and Standard & Poor's. DMG said it had placed about a third of its commitment outside the US.

"The success of these asset-backed deals indicates there's still plenty of people out there for Libor-plus returns," said a dealer. In the emerging markets, another haven for yield-hungry investors, Petroleos Mexicanos issued \$300m of three-year bonds yielding 175 basis points over Treasuries at the re-offer.

While that was deemed tight by many dealers, lead manager UBS reported strong demand, especially from European and Asian accounts, including retail. Multiland, the Indonesian industrial, trading and property group, made its euro-bond debut with \$100m of five-year fixed-rate bonds to be priced today at 290 basis points over Treasuries, and

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues including US Dollars, D-Marks, and Australian Dollars.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. Issue shown at offer price. For 3-month Libor + 80bp, 6-month Libor + 90bp, 9-month Libor + 100bp, 12-month Libor + 110bp. All rates are in US dollars unless stated otherwise. All currencies are in US dollars unless stated otherwise.

\$100m of three-year floating-rate notes. Lead J.P. Morgan said the FRN appealed to Asian banks while the fixed tranche was aimed at non-Asian institutional investors. Elsewhere, Deutsche Finance issued DM1bn of 30-year zero-coupon bonds

Matav to benefit from aggressive bids by lenders

By Conner Middelman

Matav, Hungary's telecommunications operator, is set to become the latest beneficiary of intense competition among banks in the syndicated loan market, which has pushed interest margins for Hungarian borrowers sharply lower.

Lenders' hearty appetite for higher-yielding eastern European assets is likely to fuel fierce competition to win the mandate for Matav's forthcoming five-year facility, expected to total as much as \$200m.

With most top arrangers expected to bid for the role of arranger, the borrower is likely to receive very aggressive bids which will enable it to undercut the margin of the Hungarian government bond on a recent loan.

Hungary's \$300m five-year loan, arranged in August, pays a margin of 50 basis points over Libor, and bankers say Matav could achieve a margin of 40 to 45 basis points, about a third of the 130-point margin it paid on a \$150m five-year deal in January. That would, nevertheless, be above the 30-point margin recently paid by the Central Bank. CEIB and Matav have significant foreign shareholders.

"Hungary has undergone a massive re-rating during the course of the year - it's joined the OECD and while it doesn't have an investment-grade rating, a lot of people expect it to be upgraded soon," said one banker who felt the deal "could work around 40" basis points over Libor. Moreover, supply of Hungarian assets has been scarce. Meanwhile, MOL, Hungary's oil company, has successfully completed a split six-year and seven-year term loan facility totalling \$100m; the deal, arranged by ABN Amro and Bankers Trust, was not increased despite heavy oversubscription, and was signed yesterday.

Elsewhere in eastern Europe, a \$200m renegotiated and increased facility for CEZ, the Czech state-owned electricity company, is to be signed today. It was originally established as a \$100m three-year revolving credit facility a year ago, but has been extended to five years with the margin unchanged at 25 basis points over Libor. Summito Bank acted as arranger.

The \$175m three-year term loan being arranged by ABN Amro and Citibank for the National Bank of Romania is expected to be signed in London next Wednesday. The facility - which features the most advantageous terms achieved to date by a Romanian borrower - pays 187.5 basis points over Libor. A \$100m five-year loan for the ABC International Bank, the UK subsidiary of the Arab Banking Corporation, was signed last week. Although it was oversubscribed, it was not increased in size and most of the banks were scaled back.

Pricing of the loan - with a margin of 26 basis points over Libor - fell 22.5 basis points for lead manager - established a new benchmark for a unit of an Arab institution, according to joint arrangers ING Barings and Societe Generale.

The majority of the banks participating in the transaction are based in western Europe, enabling ABC International Bank to further develop its relationships in the region, they said.

Bunds bolstered by speculation over rate cut

GOVERNMENT BONDS By Richard Lapper in London and Lisa Bransten in New York

Speculation over a cut in the repo rate and a shift in sentiment over European monetary union following recent comments from Bundesbank officials bolstered German bonds yesterday, with yields falling across the curve.

On Life, talk of a cut in the repo rate cut was the dominant theme. The December 10-year contract

was pushed higher by buying from locals and a large institutional order in the afternoon, to settle at 99.60, up more than a quarter of a point on the day.

Volume was high, with more than 200,000 contracts traded. In the cash market Germany outperformed Italy and Sweden, with 10-year yield spreads widening by 3 and 5 basis points to 235 and 124 points, respectively.

Mr Julian Jessop, chief European economist at Nikko in London, said many international investors were

"overweight" in the high yielders and were looking to take profits. "Throughout the rally we have seen people asking whether it is time to get out," he added. By contrast, the Spanish market had another good day, with news of a 13.2 per cent reduction in the budget deficit for the first nine months of 1996 providing support. On Mefi, the December bond contract gained more than a third of a point, while in the cash market the 10-year yield spread fell by 3 basis points to 172 points.

France also outperformed Germany, with domestic buying of longer-dated paper pushing the 10-year yield down by 6 basis points to 5.96 per cent. The 10-year yield spread over Germany fell and is now negative to the tune of 2 basis points.

US Treasury prices were flat in early trading as investors awaited the results of the auction of \$10bn in 10-year notes. Near midday, the benchmark 30-year Treasury was up 1/8 to 99 1/8, yielding 6.781

per cent, while the two-year note was unchanged at 100 1/8, yielding 5.880 per cent. The December 30-year bond future rose 1/8 to 111 1/8. Bonds moved briefly higher after the Federal Reserve Bank of Richmond, Virginia reported weakness in regional manufacturing, but those early gains were lost by late morning. Declared default was expected at the auction, but much of the market's focus remained on the September retail sales and producer price figures, due on Friday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table showing benchmark government bond prices for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table showing US interest rates for Treasury Bills and Bond Yields at 1, 2, 3, 6, 9, 12, 18, 24, and 30 months.

BOND FUTURES AND OPTIONS

France

Table showing French bond futures and options prices for Dec, Jan, and Mar.

Germany

Table showing German bond futures and options prices for Dec, Jan, and Mar.

UK Gilts Prices

Table showing UK Gilts prices for various maturities.

Spain

Table showing Spanish bond futures and options prices for Dec, Jan, and Mar.

Italy

Table showing Italian bond futures and options prices for Dec, Jan, and Mar.

Japan

Table showing Japanese bond futures and options prices for Dec, Jan, and Mar.

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Table showing Bund futures and options prices for Dec, Jan, and Mar.

Italy

Table showing Italian bond futures and options prices for Dec, Jan, and Mar.

Spain

Table showing Spanish bond futures and options prices for Dec, Jan, and Mar.

UK

Table showing UK Gilts futures and options prices for Dec, Jan, and Mar.

US

Table showing US Treasury bond futures and options prices for Dec, Jan, and Mar.

Japan

Table showing Japanese bond futures and options prices for Dec, Jan, and Mar.

FTSE Actuaries Govt. Securities

Table showing FTSE Actuaries Govt. Securities yields for various maturities.

FT Fixed Interest Indices

Table showing FT Fixed Interest Indices for various categories.

FT/ISMA International Bond Service

Table showing FT/ISMA International Bond Service details.

UK Indices

Table showing UK Indices for various market segments.

UK Indices

Table showing UK Indices for various market segments.

Glit Edged Activity Indices

Table showing Glit Edged Activity Indices for various categories.

COMBUSTIBLE BONDS

Table showing Combustible Bonds for various categories.

CONVERTIBLE BONDS

Table showing Convertible Bonds for various categories.

DEUTSCHE MARK STRAIGHTS

Table showing Deutsche Mark Straights for various categories.

OTHER FIXED INTEREST

Table showing Other Fixed Interest for various categories.

STRAIGHT BONDS

Table showing Straight Bonds for various categories.

HYBRID BONDS

Table showing Hybrid Bonds for various categories.

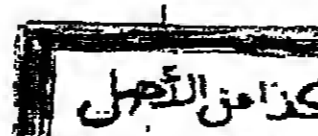
WARRANT BONDS

Table showing Warrant Bonds for various categories.

REDAEMABLE BONDS

Table showing Redeemable Bonds for various categories.

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D-Mark rises on Bundesbank's Emu concerns

MARKETS REPORT By Richard Adams

The D-Mark gathered strength across the board yesterday, after a verbal campaign by German central bankers to support a strict interpretation of the criteria for joining a single European currency.

cast a shadow over hopes that peripheral European currencies, such as the peseta and the lira, would participate in the first round of Emu.

The lira fell back from 1981.6 to 1998.3 against the D-Mark. The peseta also lost a lot of the ground it had gained recently, falling from Ptas4.08 to Ptas4.48.

A Bundesbank council member warned that over-zealous investors were "armed and ready" to move their money out of the European monetary union area if the new currency was perceived to be weak.

The D-Mark rose against the US dollar on foreign exchange markets. By the close of trading in London the D-Mark had risen to DML527.2 against the dollar, up from Monday's close of DML530.4.

Against sterling the D-Mark rose by nearly half a penny. It closed at DM2.3872, from DM2.3931.

With no important US economic data due until Friday, the dollar could languish through the middle of the week, dealers said.

The dollar continued to trade in narrow ranges against the Japanese yen it was almost static, ending at Y111.276 from Y111.280.

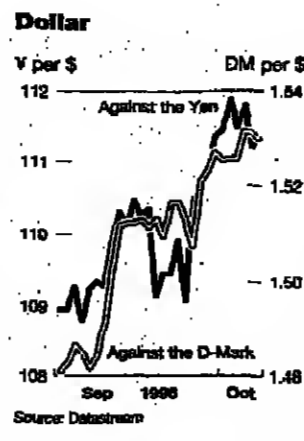
Mr Franz-Christian Zeidler, a Bundesbank council member, yesterday echoed President Hans Tietmeyer's warning that countries should not "window dress" economic data in order to meet the requirements of monetary union.

Mr Zeidler stressed the need for a stable euro. He warned that a euro perceived to be weak would damage the EU in the eyes of the public and markets.

A weak euro could prompt a shift of capital out of the countries likely to join Emu in the first round, forcing up interest rates.

"One must not overlook the fact that monetary capital formation is weak: many investors have short-term positions and are thus armed and ready to react to signs of a weak euro," Mr Zeidler said.

Another Bundesbank council member, Mr Klaus-Dieter Kuebacher, said Emu



Source: Reuters

to start monetary union at any cost by relaxing the entry criteria to allow more countries in, he said.

Sweden's central bank cut its key interest rate, the repurchase rate, by another 10 basis points to 4.56 per cent.

The cut was the 21st this year. The repo rate, the central rate in the bank's three tier system, began the year at 8.91 per cent.

The central bank's deposit rate stands at 4.76 per cent and the lending rate at 6.25 per cent.

The next British government is unlikely to raise interest rates dramatically in the year after the election.

should probably start with a small group of nations rather than be delayed in the hope of gathering more member countries.

Mr Kuebacher, president of the regional central bank in Berlin, said in a speech that there was no guarantee economic convergence between participating countries would be improved if Emu were delayed.

It would be equally unwise

according to a Reuters survey of economists. While most agree that interest rates are on their way up, they said that base rates would rise by only 1.0 per cent from its current 5.75 per cent level by the end of the first half of 1998.

The poll showed economists expect base rates to rise by 25 basis points by the end of the second quarter next year, whoever comes to power.

The Chinese yuan ended at a 14-month high of Yn\$3008 against the dollar on the Shanghai interbank market, up from Monday's Yn\$3007.

Traders thought the yuan is likely to soon break out through key resistance at Yn\$3, due to China's rising foreign exchange reserves and a foreign trade surplus.

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WORLD INTEREST RATES

Table of MONEY RATES for October 6, showing rates for various countries like Belgium, France, Germany, Italy, etc.

POUND SPOT FORWARD AGAINST THE POUND

Table showing POUND SPOT FORWARD AGAINST THE POUND with columns for Country, Closing, Change, Bid/offer spread, Day's mid, One month, Three months, One year, and Bank of England Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing DOLLAR SPOT FORWARD AGAINST THE DOLLAR with columns for Country, Closing, Change, Bid/offer spread, Day's mid, One month, Three months, One year, and J.P. Morgan Index.

OTHER CURRENCIES

Table showing OTHER CURRENCIES including Czech, Hungarian, Polish, Slovak, etc.

EURO CURRENCY INTEREST RATES

Table showing EURO CURRENCY INTEREST RATES for various countries and currencies, including Belgian Franc, Dutch Guilder, etc.

CROSS RATES AND DERIVATIVES

Table of CROSS RATES AND DERIVATIVES including EXCHANGE CROSS RATES, JAPANESE YEN FUTURES, STERLING FUTURES, EMS EUROPEAN CURRENCY UNIT RATES, UK INTEREST RATES, and LONDON MONEY RATES.

SGA SOCIETE GENERALE ACCEPTANCE N.V. REVERSE FLOATING RATE NOTES DUE APRIL 2003. Includes details about the notes and contact information.

AN ANNOUNCEMENT by Sugar & Integrated Industries Company "S.I.I.C." regarding subsidiaries and equipment factories.

Table of BASE LENDING RATES for various banks and currencies, including Adm & Company, Allied Trust Bank, etc.

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Information for all investors of Fleming Guaranteed Fund USD Pacific Guarantee A. Participation rate is 115%.

Table of THE TOP OPPORTUNITIES SECTION For senior management positions. For information please contact Robert Hunt +44 0171 873 4095.

THE TOP OPPORTUNITIES SECTION For senior management positions. For information please contact Robert Hunt +44 0171 873 4095.

Forthcoming Surveys Asia-Pacific. Surveys for Taiwan, New Zealand, Thailand, etc.

COMMODITIES AND AGRICULTURE

Oil market holds on to gains

Oil prices stayed firm yesterday as traders reported few signs that the current rally, which has been driven by strong demand for refined products in the US and Europe, was running out of steam.

The price of the benchmark Brent Blend for November delivery was steady at around \$24.50 a barrel in late London trading. That represented a rise of more than \$6 a barrel over the past two months.

Traders attribute the steady increase over the past few months to strong fundamental factors, including high demand, as well as tension in the Middle East.

But the present rally has been driven in particular by real or perceived shortages of products, according to Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney.

The main shortages have affected fuel oil and diesel prices in both the US and continental Europe. The year-on-year price of heating oil in the US is up 27.75 cents a gallon, as end users and consumers scramble to ensure adequate supplies before the winter sets in.

In normal circumstances such strong demand would lead to arbitrage opportunities for refiners in other regions. But European oil companies have been struggling to meet high regional demand for gasoline, especially from Germany, so there is no surplus that can be quickly diverted across the Atlantic Ocean.

The demand for oil produced from OPEC rose to 24.5m b/d in the third quarter, and is estimated at 25.9m b/d for the fourth.

The scramble to secure some refined products is reflected in figures showing that in Europe and North America middle distillate stocks in August fell from a year earlier by 10 per cent and 11 per cent respectively.

Africa still short of food despite crop gains

Many African countries are still short of food in spite of improved harvests in much of sub-Saharan Africa, according to a report published yesterday by the United Nations' Food and Agriculture Organisation.

The report cites 18 African countries facing food shortfalls because of war and natural disasters. "Pockets of famine have developed in several parts of Liberia, following a sharp reduction in food supplies to northern areas and a serious disruption of relief distribution," the report says.

Finnish wood pulp futures plan hits regulatory snag

He said the exchange had been forced to reconstruct its trading network after the supervisory authority said it would only accept direct trading by companies or orders placed through authorised commodities brokers.

The exchange had intended for transactions to be made through securities brokers and banks. Mr Lindeberg said the restrictions opened in Helsinki one month ago. Trading failed to start on a Friday, however, following a ruling by Finland's financial supervisory authority that blocked the planned market-making role of banks and securities brokers.

Mr Anders Lindeberg, president of the Finnish Options and Futures Exchange, which is to run the bourse, said he expected trading to commence within three to six weeks.

"The interest from the industry remains strong," he said. "This is a technical delay."

He said the exchange had been forced to reconstruct its trading network after the supervisory authority said it would only accept direct trading by companies or orders placed through authorised commodities brokers.

The rules apparently relate to potential conflicts of interest. In the case of banks, loans for pulp mill investments are sometimes tied to pulp prices. This would in theory enable banks to hedge their lending risks through pulp derivatives trading.

Test delivery of Kazakh crude planned

Chevron and Mobil, the US oil companies, will make a trial delivery of oil from their giant Tengiz field in Kazakhstan to Azerbaijan, as part of an attempt to find ways around restricted Russian pipelines that are at present the only way to export large volumes out of the Caspian Sea region.

The search for alternative export routes coincides with yet another missed deadline in negotiations for a new main export pipeline through Russia.

Tengizchevroil (TCO), a joint venture between Chevron, Mobil and the Kazakh government, has agreed to swap 20,000 tonnes of oil with Socar, Azerbaijan's state oil company, to test an alternative export system.

Tengizchevroil will ship the oil by barge across the Caspian, and Socar will send the equivalent amount of Azeri oil by rail to the Georgian port of Batumi on the Black Sea, from where it can be shipped to Western markets.

LME urged to set stock limit

The London Metal Exchange should take steps to end "squeezes" in its markets by limiting the amount of stock any organisation might hold at one time and prevent a concentration of stock in a few hands, said Mr Jean-Pierre Rodier, president of Pechiney, the French aluminium and packaging group, yesterday.

This could be done if the warrants covering metal in LME's warehouses were changed from being bearer to nominative certificates, he said at the LME's annual dinner in London.

"The point is to provide sufficient liquidity in the market and an early warning system of potentially harmful concentration," Mr Rodier pointed out.

He welcomed the inquiry into the operations of the metals markets in the wake of the Sumitomo scandal but added: "The irony is that such action seems so late and it has taken several years of purported price rigging to advance the debate."

COMMODITIES PRICES

BASE METALS

Table with columns for metal type, price change, high, low, and open. Includes Aluminum, Aluminum alloy, and Lead.

Precious Metals continued

Table with columns for metal type, price change, high, low, and open. Includes Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

Table with columns for grain type, price change, high, low, and open. Includes Wheat, Corn, and Soybeans.

SOFTS

Table with columns for soft type, price change, high, low, and open. Includes Cocoa, Coffee, and Sugar.

MEAT AND LIVESTOCK

Table with columns for meat type, price change, high, low, and open. Includes Live cattle, Hogs, and Pigs.

ENERGY

Table with columns for energy type, price change, high, low, and open. Includes Crude oil, Heating oil, and Natural gas.

PRECIOUS METALS

Table with columns for metal type, price change, high, low, and open. Includes London Bullion Market and Gold.

INDICES

Table with columns for index name, price change, high, low, and open. Includes Reuters, CRB, and GSCI.

FUTURES DATA

Table with columns for future type, price change, high, low, and open. Includes Metals and Energy.

JOTTER PAD

Table with columns for commodity type, price change, high, low, and open. Includes various metals and grains.

CROSSWORD

Crossword puzzle grid with clues and a solution key at the bottom right.

FT MANAGED FUNDS SERVICE

FT Cytiva Unit-Trust Prices are available on the telephone. Call the FT Cytiva Help Desk on (+44 171) 874 4578 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Bermuda Global, Bermuda Growth, and Bermuda Income funds with columns for Name, Value, and % Change.

BERMUDA (REGULATED)**

Table listing Bermuda regulated funds including Bermuda Global, Bermuda Growth, and Bermuda Income funds with columns for Name, Value, and % Change.

GUERNSEY (REGULATED)**

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GUERNSEY (SIB RECOGNISED)

Table listing Guernsey SIB recognised funds including Guernsey Global, Guernsey Growth, and Guernsey Income funds with columns for Name, Value, and % Change.

IRELAND (SIB RECOGNISED)

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Advertisement for Imperial Cancer Research Fund featuring a photo of a person and text: 'Every day, we help thousands of people like Zoe fight cancer. Give people with cancer a fighting chance...'

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Vertical text on the right edge of the page, including 'OFFSHORE FUNDS' and 'Jersey (SIB RECOGNISED)'.

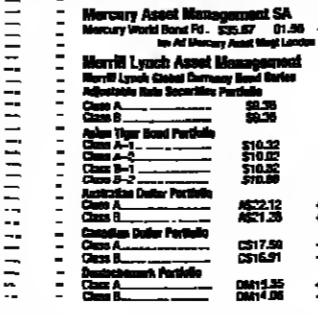
Offshore Funds and Insurances

FT Managed Funds Service
LUXEMBOURG (SIB RECOGNISED)

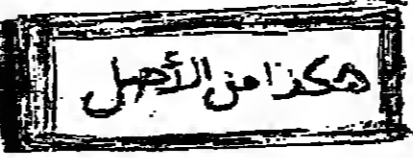
Main table containing financial data for various offshore funds and insurances, including columns for fund names, asset values, and performance metrics.

OFFSHORE INSURANCES

Table listing offshore insurance companies and their financial details, including names like AXA Equity & Law Ltd and various insurance products.



LUXEMBOURG (REGULATED)
LUXEMBOURG (REGULATED)
LUXEMBOURG (REGULATED)



FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

Main table listing various fund units, their prices, and performance metrics. Columns include Fund Name, Price, and % Change. Funds listed include Alpha Fund Management Ltd, Columbia Asset Management Ltd, Global Asset Management, etc.

OTHER OFFSHORE FUNDS

Table listing other offshore funds such as ATP Management, AXA Asset Management, and others.

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Advertisement for FORTE Posthouse, featuring a large 'F' logo and text about hotel accommodations and corporate rates.

Continuation of the fund list table from the main section, including various international and specialty funds.

MANAGED FUNDS NOTES

Notes and information regarding managed funds, including details on fund performance, risks, and contact information.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

CHEMICALS - Cont.

Table listing companies in the Chemicals sector (continued) with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Eqpt sector (continued) with columns for company name, price, and change.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued) with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued) with columns for company name, price, and change.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued) with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued) with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Table listing companies in the Investment Trusts sector (continued) with columns for company name, price, and change.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Inv Trusts Split Capital sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Table listing companies in the Investment Trusts sector (continued) with columns for company name, price, and change.

Advertisement for Rockwell Automation, featuring the text: 'Rockwell Automation is leading technological innovation with more than 500,000 products for a broad spectrum of industries.' and the Rockwell logo.

BUY TRUSTS SPLIT CAPITAL - Cont.

Table listing Buy Trusts Split Capital with columns for Name, Price, and % change.

LEISURE & HOTELS - Cont.

Table listing Leisure & Hotels companies with columns for Name, Price, and % change.

LIFE ASSURANCE

Table listing Life Assurance companies with columns for Name, Price, and % change.

MEDIA

Table listing Media companies with columns for Name, Price, and % change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing Paper, Packaging & Printing companies with columns for Name, Price, and % change.

PHARMACEUTICALS

Table listing Pharmaceutical companies with columns for Name, Price, and % change.

PROPERTY

Table listing Property companies with columns for Name, Price, and % change.

RETAILERS, FOOD

Table listing Retailers, Food companies with columns for Name, Price, and % change.

RETAILERS, GENERAL

Table listing Retailers, General companies with columns for Name, Price, and % change.

SUPPORT SERVICES

Table listing Support Services companies with columns for Name, Price, and % change.

TELECOMMUNICATIONS - Cont.

Table listing Telecommunications companies with columns for Name, Price, and % change.

TEXTILES & APPAREL

Table listing Textiles & Apparel companies with columns for Name, Price, and % change.

TOBACCO

Table listing Tobacco companies with columns for Name, Price, and % change.

TRANSPORT

Table listing Transport companies with columns for Name, Price, and % change.

WATER

Table listing Water companies with columns for Name, Price, and % change.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % change.

AMERICANS

Table listing American companies with columns for Name, Price, and % change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % change.

SOUTH AFRICANS

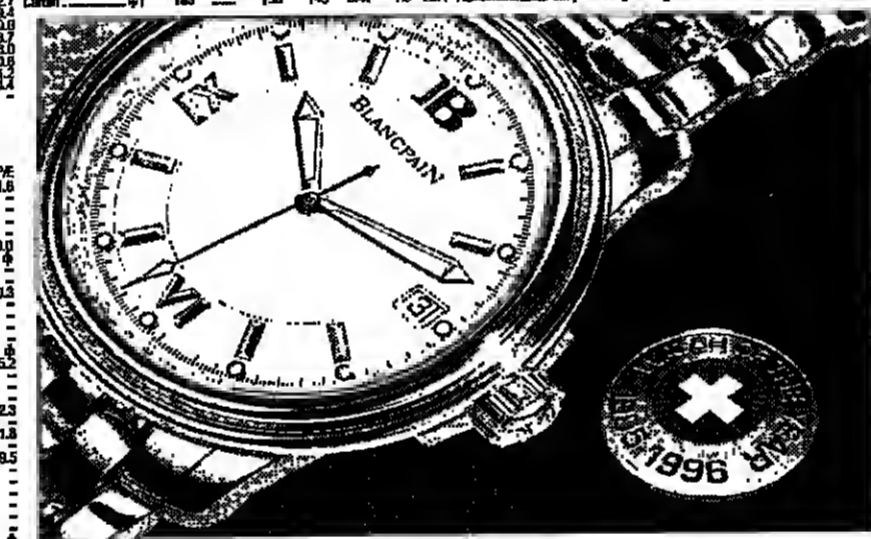
Table listing South African companies with columns for Name, Price, and % change.

OTHER INVESTMENT TRUSTS

Table listing Other Investment Trusts with columns for Name, Price, and % change.

OIL EXPLORATION & PRODUCTION

Table listing Oil Exploration & Production companies with columns for Name, Price, and % change.



PROPERTY - Cont.

Table listing Property companies with columns for Name, Price, and % change.

SUPPORT SERVICES - Cont.

Table listing Support Services companies with columns for Name, Price, and % change.

AIM

Table listing AIM companies with columns for Name, Price, and % change.

INVESTMENT COMPANIES

Table listing Investment Companies with columns for Name, Price, and % change.

OIL, INTEGRATED

Table listing Oil, Integrated companies with columns for Name, Price, and % change.

OTHER FINANCIAL

Table listing Other Financial companies with columns for Name, Price, and % change.

LEISURE & HOTELS

Table listing Leisure & Hotels companies with columns for Name, Price, and % change.

PAPER, PACKAGING & PRINTING

Table listing Paper, Packaging & Printing companies with columns for Name, Price, and % change.

TELECOMMUNICATIONS

Table listing Telecommunications companies with columns for Name, Price, and % change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extra, part of Financial Times Information. Company classifications are based on those used for the FTSE 100 and FTSE 250 indices.

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FT Company Focus / Focus Plus

Comprehensive 10-15 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline Service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250. Call 0171 878 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0. The share prices printed on these pages are also available on the Internet at <http://www.ft.com>.

LONDON STOCK EXCHANGE

FTSE hits closing high in spite of tax moves

MARKET REPORT
By Steve Thompson,
UK Stock Market Editor

London's equity market emerged slightly bruised, but ultimately unbowed, after a sudden attack on tax credits for share buy-backs and some special dividends...

The FTSE finished the day a net 4.1 up at 4,035.6. The second-line index, the FTSE 250, fared less well, closing a net 5.7 off at 4,435.3...

But it was the chancellor's bolt from the blue on share buy-backs and special dividends that was the day's main talking point.

Mr Bob Semple, UK equity strategist at NatWest Securities, commenting on the changes, said: "The truth is less scary, the aim of the changes is not to stop payment of the tax credit on special dividends, but to stop the abuse of the system whereby, in certain circumstances, the benefits are targeted towards the gross funds."

As examples, he pointed to share buy-backs targeted towards gross funds rather than all investors and to the Inland Revenue not wanting to finance bids such as Granada/Forte and Lloyds TSB in which special dividend sweeteners were paid.

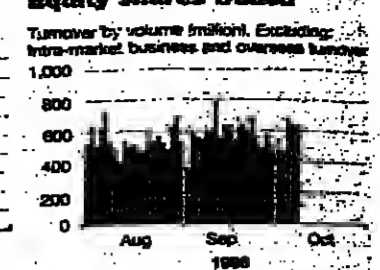


Table with columns: Index, Price, Change, and Yield. Includes FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, and FTSE All-Share yield.

Table with columns: Sector, Change, and Ratio. Lists various sectors like Gas Distribution, Textiles & Apparel, etc.

Buy-back blow for Reuters

Reuters Holdings was the principal casualty yesterday of the government's surprise ban on share buy-backs. With the news and financial information group's 5813m return of cash to shareholders in jeopardy...

Barclays - which spent £470m on its own shares this year - 7 1/2% to 967p and NatWest 4 1/2% to 707 1/2p.

Safeway, which had intimated that it may have a second share buy-back, fell a penny to 489p after the chancellor's statement.

On the whole, however, the market took the news in its stride and settled around for potential beneficiaries. Tax specialist decided that one popular route for returning cash was via foreign income dividends or fids.

Consistent strength by Legal & General over the past year has left some insurance analysts nervous about their bullish recommendations.

United News & Media rose 17 to 678 1/2p with the market giving a sign of relief because it feared the acquisition of Blenheim would not give an immediate return.

LucasVarity was London's most heavily traded stock as the company pension scheme sold its holding. The pension group sold 52.24m shares at 246 1/2p a share to raise £130m.

The market's appetite for Shell Transport remained unshaken as enthusiasm for the US alliance with Texaco saw the shares rise a further 24 to 1049p.

United Biscuits climbed 13 1/2 to 216 1/2p with one analyst attributing this to what he described as a "dusty old" takeover rumour.

Stores group Kingfisher, which had rallied on the back of speculation about it wanting to acquire Norway's retail outlets, slipped 1 1/2 to 640p.

before transfer fees of £18.7m. The market welcomed Millennium & Copthorne's £51m acquisition of Intercontinental's Britannia Hotel in London with Millennium rising 2 1/2 to 318p.

EMI rallied to recoup recent losses prompted by a series of broker downgrades. The stock ended 24 higher at 1290 1/2p with some talk of BZW turning positive.

Laura Ashley added 8 to 189 1/2p after an announcement that it is to take direct control of its following a reorganisation of its requirements.

FUTURES AND OPTIONS

Table containing FTSE 100 INDEX FUTURES, FTSE 250 INDEX FUTURES, FTSE 100 INDEX OPTION, and EURO STYLE FTSE 100 INDEX OPTION. Columns include Open, High, Low, and Change.

FT 30 INDEX
Oct 8 09 10 11 12 13 14 15 16 17 18 19
2849.2 2848.4 2857.9 2853.6 2865.6 2853.5 2885.2 2886.8 2890.0 2895.1 2897.1 2896.5 2899.5 2898.0

SEAO bargains
43,590 46,159 43,813 45,373 44,742 43,214
Equity turnover (m) 14,184 19,443 18,605 20,670 18,712
Equity bargains 42,229 41,012 42,968 44,196 38,451

Table with columns: Index, Price, and Change. Includes FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, FTSE 100 Volatility, and FTSE 250 Volatility.

Table with columns: Index, Price, and Change. Lists various industry sectors like Chemicals, Pharmaceuticals, etc.

Table with columns: Index, Price, and Change. Lists various industry sectors like Engineering, Retail, etc.

TRADING VOLUME

Table with columns: Stock Name, Volume, and Change. Lists major stocks like BP, Shell, and BT.

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Friday October 9 1996
Market share traded
Wave performance
Major Stocks

Table of stock market data for various regions including Europe, Asia, and the Americas. Columns include stock names, prices, and changes.

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Table of stock market data for Europe, including countries like Germany, France, and the UK.

Table of stock market data for Asia, including Japan, Korea, and Hong Kong.

Table of stock market data for the Americas, including the US, Canada, and Mexico.

Table of stock market data for other regions including Africa, Australia, and New Zealand.

Table of stock market indices for various regions.

Table of stock market indices for the US and other major markets.

Table of stock market indices for Europe and other regions.

Table of stock market indices for Africa, Australia, and New Zealand.

Table of stock market futures and options data.

NEW YORK STOCK EXCHANGE PRICES

30

4 pm Oct 8

Table of stock prices for various companies, including columns for stock name, price, and change. Includes companies like IBM, Microsoft, and various financial institutions.

Table of stock prices for various companies, including columns for stock name, price, and change. Includes companies like General Electric, Ford, and various pharmaceuticals.

Table of stock prices for various companies, including columns for stock name, price, and change. Includes companies like Johnson & Johnson, Merck, and various technology firms.

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Continued on next page

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